



Michigan's Casino Industry Dawns in Detroit

Annual Report to the Governor for Calendar Year 1999

Michigan Gaming Control Board
1500 Abbott Road, Suite 400
East Lansing, MI 48823

Submitted April 14, 2000
pursuant to the
Michigan Gaming Control & Revenue Act, as amended
(Public Act 69 of 1997)

Please direct inquiries to
Mr. Robert Nelson, phone 517/324-8219

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Mission Statement

It is the mission of the Michigan Gaming Control Board to license and regulate the conduct of private commercial casino gaming activities in Michigan in accordance with the *Michigan Gaming Control & Revenue Act*, as amended (Public Act 69 of 1997), and to monitor the compliance of Native American casino operations in the state with applicable Tribal-State Gaming Compacts, in a fair, honest, and efficient manner, in order to ensure that casino gaming activities and operations are conducted in a lawful manner, and thereby protect the best interests of the people of the State of Michigan.

INTRODUCTION

In November 1996, Michigan voters approved Proposal E, authorizing the development of up to three licensed casinos in Detroit. Proposal E subsequently took effect as law on December 5, 1996, as the *Michigan Gaming Control & Revenue Act*. The voter-initiated act established the Michigan Gaming Control Board (referred to as the “Board” or “MGCB”) as a Type I agency within the Michigan Department of Treasury, exclusively responsible for licensing and regulating the three authorized Detroit casinos.

In July 1997, the voter-initiated Act was substantially amended by the Michigan Legislature’s enactment of Public Act 69 of 1997 (referred to as the “Act”). The amended Act provided for more stringent licensing criteria, and substantially strengthened the licensing and regulatory authority of the Board.

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. The initial five Board members serve staggered terms: one member is appointed to a two-year term, two are appointed to three-year terms, and two to four-year terms. As each initial term expires, a subsequent Board member will be appointed to a four-year term. Under the Act, no more than three members may belong to the same political party. The Michigan Legislature vested the Board 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 casino gaming in Michigan.

ACTIVITIES OF THE BOARD

In calendar year 1999, the five-member Board was comprised of the following gubernatorial appointees:

- **Mr. Thomas Denomme, Chairman** (term expires December 31, 2000) - Mr. Denomme retired in 1997 as vice-chairman and chief administrative officer of what is now DaimlerChrysler.
- **Ms. Paula Blanchard** (initial term expired December 1999; reappointed by Governor Engler to four-year term expiring December 31, 2003) - Ms. Blanchard is the former Michigan First Lady. She is currently a regional director of communications for EDS Corporation.
- **Mr. Rich Davis** (initial term expired December 1999; reappointed by Governor Engler to four-year term expiring December 31, 2003) - Mr. Davis is a former director of the Michigan Department of State Police, and former project director of the Michigan Truck Safety Commission.
- **Hon. Geraldine Bledsoe Ford** (term expires December 31, 2000) - Judge Ford retired in 1998 from the Third Judicial Circuit Court of Michigan after an illustrious 46-year career in law which began in private practice with her father, the late activist and attorney Harold Bledsoe. Judge Ford was appointed to the Board by Governor Engler in March 1999 to fill a vacancy created by the resignation of **Dr. Jim Holley** in December 1998.
- **Hon. Michael Stacey** (initial term expired December 1998; reappointed by Governor Engler to four-year term expiring December 31, 2002) - Judge Stacey is a former Wayne County Circuit Court Judge who retired in 1994. He has remained active in the law by assisting with alternative dispute resolution and serving as a visiting judge.

From its inception, the Board has encouraged public input regarding its policies, procedures and activities related to licensing and regulating Detroit casinos. To inform and receive input from the public, the Board held seven public meetings in 1999. The meetings were held during evening hours to facilitate public attendance and participation. At its public meetings, the Board not only conducted its official business, but also provided the public and news media with ample opportunity to ask questions and offer comment regarding casino gaming issues, and the Board's relevant policies, procedures and activities. In 1999, the Board met on the following dates at locations within the City of Detroit:

*February 16, 1999
*March 24, 1999
*May 11, 1999
June 9, 1999

*September 8, 1999
*October 11, 1999
*December 21, 1999

* After the public meeting, the Board adjourned to Closed Session to review confidential materials that were part of Casino License applications, and thus protected from public review and disclosure under the *Michigan Gaming Control & Revenue Act*, as amended

(Public Act 69 of 1997; MCL 432.201, Section 4c). 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, are held in accordance with *Michigan's Open Meetings Act*.

The role of the Board is to implement, administer and enforce the Act. It is the Board's responsibility to assure that legalized casino gaming be conducted in a fair, honest and lawful manner, in the best interest of the citizens of our state, in accordance with Michigan law.

RESOLUTIONS / EXECUTIVE DIRECTOR ORDERS

The Board has found it necessary to adopt Resolutions in order to establish and publish various policies for conducting its day-to-day duties and responsibilities under the Act. In calendar year 1999, the Board adopted two Resolutions:

- **Resolution No. 1999-01** (adopted 5/11/99) - Authorized the MGCB executive director to issue temporary Supplier Exhibitor Licenses to manufacturers, distributors and suppliers of gaming devices and equipment and other gaming-related goods and services permitting them to exhibit such gaming devices and equipment at the Northern Gaming Summit to be held in Detroit's Cobo Convention Center on October 12-14, 1999.
- **Resolution No. 1999-02** (adopted 6/9/99) - Stated the MGCB's policy regarding the hearing and appeal rights of persons who must qualify as part of casino license applications, and the conditions and restrictions required for such persons to effectively transfer or relinquish their interest in a casino license applicant in order to no longer be required to qualify as part of the casino license application under the Act and Administrative Rules of the MGCB.

Additionally, the *Michigan Gaming Control & Revenue Act* and Administrative Rules of the Board empower the Executive Director to issue certain orders as needed to efficiently and effectively carry out the day-to-day operations of the Board. In calendar year 1999, no Executive Director Orders were issued.

NOTABLE BOARD ACCOMPLISHMENTS

In calendar year 1999, the Board and its staff achieved many notable accomplishments.

- Issued 33 temporary Supplier Licenses while background investigations of Supplier License applications continue, pursuant to the Act, the Board's Administrative Rules, and Board Resolution No. 1998-07 (37 temporary Supplier Licenses have been issued since the MGCB began licensing Suppliers in 1998).
- Registered 708 unlicensed vendors, authorizing them to provide goods and services to casino license applicants and licensees for development, construction and operation of their temporary and permanent casino operations, in accordance with the Act and Board Resolution No. 1998-07 (783 vendors have been registered since the MGCB began issuing Vendor Identification Numbers in 1998).
- Exempted 54 businesses/agencies from supplier licensing requirements, pursuant to the Act and Administrative Rules of the Board (1999 was the first year in which such exemptions were granted).
- Assisted by the Michigan Department of State Police Gaming Section and the Michigan Attorney General Casino Control Division, completed statutorily required background investigations of two of the three casino license applicants (MGM Grand Detroit, LLC, and Detroit Entertainment, LLC) and their key investors and managers, in accordance with the Act. Conducted Public Investigative Hearings for both MGM Grand Detroit, LLC, and Detroit Entertainment, LLC, and subsequently issued a casino license to each applicant (doing business as "MGM Grand Detroit Casino" and "MotorCity Casino," respectively), in accordance with the Act.
- Issued 5,217 temporary Occupational Licenses, in accordance with the Act, allowing the licensed individuals to work in licensed occupations as employees of casino or supplier license applicants or licensees, pending completion of their required background investigations and issuance of a full two-year occupational license.
- Worked closely with the Michigan Department of State Police Gaming Section in the regulation and daily monitoring of business operations and casino gaming activities at both the MGM Grand Detroit Casino and MotorCity Casino, in accordance with the Act.
- Drew near to completion of the background investigation of the third casino license applicant (Greektown Casino, LLC), in accordance with the Act, with the assistance of the Michigan Department of State Police Gaming Section and the Michigan Attorney General Casino Control Division.
- Worked closely with the Michigan Attorney General Casino Control Division in the successful defense of litigation brought against the Michigan Gaming Control Board and the State of Michigan.

- Reimbursed all operational costs of the Michigan State Police Gaming Section and the Attorney General Casino Control Division for requested investigative and legal assistance provided to the MGCB in 1999, pursuant to the Act.
- Conducted seven public meetings within the City of Detroit, providing the public ample opportunity to offer comment in regard to proposals and activities of the MGCB and Michigan's casino gaming industry.
- Developed and made available to the public numerous brochures explaining the casino licensing process; the casino employee and supplier licensing process; the casino vendor registration requirements; the supplier licensing exemption process; and the political contribution restrictions for casino and supplier license applicants and licensees under the Act.
- Provided timely and accurate information to an estimated 40,880 visitors to MGCB's internet website (www.state.mi.us/mgcb).

CHRONOLOGY OF SIGNIFICANT EVENTS

Related to Board Operations and Development of Detroit Casinos

January 1999

- Wayne County Circuit Court rules that Detroit City Council acted legally in passing zoning and appropriations ordinance, allowing MGM Grand Detroit to build temporary casino facility (1/13/99).
- *Detroit News* begins publishing series of special investigative articles about applicants for MGCB Casino Licenses. First series focuses on Greektown Casino, LLC (1/17-18/99).
- According to *Detroit Free Press*, MGM Grand Inc. now believes Detroit casino gaming market may be as much as \$2 billion, up from earlier projection of \$1.2 billion (1/24/99)
- MGM Grand Detroit, LLC, pays \$3.66 million Advance Municipal Services Fee to City of Detroit, in accordance with Development Agreements (1/28/99). Detroit Entertainment, LLC; and Greektown Casino, LLC, each pay \$3.66 million Advance Municipal Services Fee (1/29/99). *Note - Development Agreements prohibited developers from opening casinos within seven months of paying Municipal Services Fee to City of Detroit. Accordingly, no temporary casino could have opened prior to late August 1999. This restriction waived by Detroit Mayor Dennis Archer within hours of MGCB issuing Casino License to MGM Grand Detroit, LLC, on July 28, 1999.*

- Detroit City Council approves plan to locate three permanent casinos on Detroit's east riverfront at estimated cost to casinos of \$249.6 million. *Detroit News* reports that casinos may eventually pay additional \$250 million in other improvements and capitalized interest (1/29/99).
- Two members of Michigan House of Representatives file suit in U.S. District Court (Lansing) asking that Tribal-State Gaming Compacts approved for four tribes in December 1998 be disapproved at federal level (1/29/99).

February 1999

- Construction begins on proposed Greektown Casino temporary casino facility (2/1/99), and on proposed Detroit Entertainment, LLC, temporary casino facility (2/8/99). *Note - The Detroit Entertainment, LLC, temporary casino facility would later be named MotorCity Casino.*
- U.S. District Court (Lansing) blocks efforts by two members of Michigan House of Representatives to stall federal approval of four 1998 Tribal-State Gaming Compacts approved by joint resolution of Michigan legislature (2/5/99).
- Howell Township Board of Trustees rejects proposal by North Star Development group and Bay Mills Indian Community to establish Native American casino gaming in Township (2/15/99).
- Two Board members tour construction sites of temporary casino facilities... reiterate caution that developers assume all risk if construction begins without Certificate of Suitability from Board (2/16/99).
- *Crain's Detroit Business* reports that Attorney General Jennifer Granholm favors use of wiretaps to prevent organized crime from penetrating Detroit casino industry (2/17/99).
- Detroit Police Department implements Gaming Division to coordinate efforts with MGCB and Michigan State Police; provide security outside casinos; coordinate pedestrian and traffic flow; provide tourism safety (2/99).
- *Detroit News* reports Community Coalition and Black Slate, Inc. collecting signatures for recall vote of Detroit Mayor Dennis Archer in protest of Mayor's choice of City's three casino developers, and other actions (2/24/99).
- *Detroit News* publishes second series of special investigative articles about applicants for MGCB Casino Licenses. Second series focuses on MGM Grand Detroit, LLC (2/28/99 and 3/1/99).

March 1999

- Attorney General Jennifer Granholm issues written opinion that temporary casino facilities may be licensed by Board under Act (3/2/99).
- Gov. Engler appoints Hon. Geraldine Bledsoe Ford to Board, filling vacancy created by resignation of Dr. Jim Holley (3/9/99).
- MGM Grand Detroit, LLC, opens Employment Center in downtown Detroit (3/20/99).
- Detroit City Council considers condemnation of privately owned land along east riverfront as site for permanent casino facilities (3/22/99).
- Greektown Casino, LLC, opens Training Center & Employment Office at Wayne County Community College (3/26/99).

April 1999

- Casino Windsor begins offering dice games, recently legalized in Canada (4/7/99).
- MGM Grand Casino, LLC, purchases Ameritech building at Third and Abbott streets as site for construction of 2,200-space parking structure adjacent to its proposed temporary casino (4/9/99).
- U.S. Court of Appeals (Cincinnati) affirms District Court's ruling on constitutionality of *Michigan Gaming Control & Revenue Act*, as amended (Public Act 69 of 1997), but rules that lower court must reconsider whether preferential status given to Detroit Entertainment, LLC, and Greektown Casino, LLC, in City's casino developer selection ordinance is constitutional... case referred back to U.S. District Court (Grand Rapids) to review claim of Lac Vieux Desert Band of Lake Superior Chippewa Indians that ordinance is unconstitutional (4/12/99).
- Board delivers 1998 Annual Report to Governor and Legislature (4/15/99).
- *Detroit News* publishes final series of special investigative articles about applicants for MGCB Casino Licenses. Third and final series focuses on Detroit Entertainment, LLC (4/25-26/99).
- Detroit City Council approves plan to acquire land along east riverfront as site for permanent casino facilities by condemnation; approves conditions under which one or more current Casino License applicants may be replaced by new applicant should circumstances warrant (4/29/99).

- Gov. Engler vows to join Florida's suit against federal government to maintain state control over expansion of tribal gaming under Indian Gaming Regulatory Act. Attorney General Jennifer Granholm pledges support of suit (4/29/99).

May 1999

- Community Coalition files petition with Wayne County Clerk to recall Detroit Mayor Dennis Archer for his opposition to Proposal One which would have required City to mandate African American majority ownership of at least one Detroit casino (5/4/99).
- Detroit Entertainment, LLC, names its proposed temporary casino facility "MotorCity Casino" (5/10/99).
- First shipment of slot machines arrives at proposed MGM Grand Detroit Casino for inspection and testing by MGCB staff (5/12/99).
- U.S. District Court (Lansing) dismisses lawsuit by two members of Michigan House of Representatives to block four 1998 Tribal-State Gaming Compacts approved by joint resolution of Michigan legislature; says issue not for federal court to decide (5/21/99).
- Lac Vieux Desert Band of Lake Superior Chippewa Indians files motion in U.S. District Court (Grand Rapids) to include MGM Grand Detroit, LLC, in lawsuit contesting preferential status given to Detroit Entertainment, LLC, and Greektown Casino, LLC, in City's casino developer selection ordinance (5/21/99).
- According to *Detroit News*, MGM Grand Detroit, LLC, will ask City of Detroit to allow its temporary casino to open earlier than August, provided MGCB grants required casino license (5/23/99).
- Barden Detroit Casino, LLC, files suit in U.S. District Court (Detroit) against City of Detroit and MGCB, challenging constitutionality of preferential status given to Detroit Entertainment, LLC, and Greektown Casino, LLC, in City's casino developer selection ordinance (5/25/99).
- MGCB staff completes background investigation of MGM Grand Detroit, LLC, with assistance of Michigan Department of State Police Gaming Section, Michigan Attorney General Casino Control Division, and Internal Revenue Service... submits Confidential Investigation Report to MGCB Executive Director (5/28/99).

June 1999

- MGCB joins City of Detroit, Detroit Police Dept., Michigan Attorney General, Michigan Dept. of State Police, Wayne County Prosecutor's Office, and Wayne County Sheriff's Dept. in creation of State/Local Casino Control Task Force and signing of Memorandum of Understanding, pledging efficient investigation and prosecution of crimes that may occur in connection with casino gaming in Detroit (6/2/99).
- Confidential Investigation Report on MGM Grand Detroit, LLC, delivered to Board members and applicant (6/3/99).
- Notice of Public Investigative Hearing for MGM Grand Detroit, LLC, appears in Detroit Free Press, Detroit News, Oakland County Press and Marquette Mining Journal (6/7/99).
- William Pickard, local investor in MGM Grand Detroit, LLC, files suit against MGCB in Ingham County Circuit Court, asking he be permitted to appear and argue own case as a party before Board at MGM's Public Investigative Hearing regarding his suitability for licensure, as a part owner of MGM Grand Detroit, LLC, required to qualify for licensure as part of MGM's casino license application under the Act (6/7/99).
- First shipment of table games arrives at proposed MGM Grand Detroit Casino for inspection and testing by MGCB staff (6/7/99).
- Effort by Community Coalition and Black Slate, Inc. to recall Detroit Mayor Dennis Archer fails to gain sufficient number of valid signatures on petition (6/8/99).
- Detroit businesswoman Patricia Cole files suit in Wayne County Circuit Court against Greektown Casino, LLC, claiming contractual right to ownership interest in Greektown Casino, LLC, as agreed consideration for property she sold to Greektown for development of Greektown's proposed temporary casino (6/9/99).
- Member of Michigan House of Representatives files suit in Ingham County Circuit Court to block four 1998 Tribal-State Gaming Compacts approved by joint resolution of Michigan legislature (6/10/99).
- Board conducts Pre-Hearing Conference in Lansing with MGM Grand Detroit, LLC, in preparation for MGM's Public Investigative Hearing (6/11/99 and 6/18/99).
- U.S. Supreme Court strikes down federal ban on television and radio advertising by commercial non-tribal casinos (6/14/99).
- Local investors Anthony Gramer, William Pickard and Roy Roberts voluntarily transfer ownership interest in MGM Grand Detroit, LLC (6/16/99).
- National Gambling Impact Study Commission releases final report to president, U.S. Congress and governors (6/18/99)

- Board conducts Public Investigative Hearing in Detroit for MGM Grand Detroit, LLC (6/21/99).
- Circus Circus Enterprises, Inc., which has ownership interest in Detroit casino license applicant Detroit Entertainment, LLC, changes corporate name to Mandalay Resort Group (6/21/99).
- Governor Engler and four Native American tribes (Bay Mills Indian Community, Grand Traverse Band of Ottawa & Chippewa Indians, Hannahville Indian Community, and Sault Ste. Marie Tribe of Chippewa Indians) agree that tribes' obligation to make 8% casino revenue sharing payments to State will cease on 6/30/99.

July 1999

- MGCB staff begins final inspection and assessment of MGM Grand Detroit's proposed temporary casino facility (7/12/99).
- According to *Detroit News*, state financial analysts predict Michigan Lottery will lose \$60 million in sales in first year after Detroit casinos open; K-12 School Aid Fund will receive \$24 million less from Lottery, but will receive \$44 million in state gaming taxes from Detroit casinos, resulting in net gain to School Aid Fund (7/12/99).
- MGCB postpones vote on suitability of MGM Grand Detroit, LLC. Initially set for July 20, Board moves date to July 28, allowing more time for thorough inspection and assessment of MGM Grand Detroit's proposed temporary casino facility and operations (7/16/99).
- First shipment of slot machines and table games arrives at proposed MotorCity Casino for inspection and testing by MGCB staff (7/21/99).
- U.S. District Court (Detroit) dismisses lawsuit by Barden Detroit Casino, LLC, ruling Barden knowingly and voluntarily gave up right to sue City on matters related to City's selection process of casino developers (7/22/99).
- MGM Grand Detroit, LLC, holds "media day" for reporters at proposed temporary casino (7/27/99).
- Board reconvenes Public Investigative Hearing; finds MGM Grand Detroit, LLC, suitable for Casino License, and issues first Casino License in Michigan (5:15 PM 7/28/99).
- Within hours of MGCB issuing Casino License to MGM Grand Detroit, LLC, Detroit Mayor Dennis Archer waives Development Agreement restriction on opening any temporary casinos prior to late August (7/28/99). *Note - Development Agreements with City of Detroit prohibited developers from opening casinos sooner than seven months after paying Municipal Services Fee to City (paid in late January 1999).*

- MGM Grand Detroit Casino begins casino gaming operations (4:30 PM 7/29/99).

August 1999

- Wayne County Commission's Committee on Ways & Means asks Detroit Mayor Dennis Archer to reconsider his choice of east riverfront area as site for permanent casino facilities; asks that permanent sites be same as those for temporary casino facilities (8/5/99).
- Attorney General Jennifer Granholm announces prosecution of five MGM Grand Detroit Casino patrons on charges of underage gambling and cheating, in violation of Michigan's casino law (8/9/99).
- City of Detroit files suit in Wayne County Circuit Court against 47 landowners to acquire property by condemnation for site of permanent casino facilities (8/10/99).
- Don Barden files appeal in U.S. Circuit Court of Appeals (Cincinnati) for review of federal district judge's dismissal of lawsuit by Barden Detroit Casino, LLC, challenging constitutionality of preference in Detroit's casino developer selection ordinance favoring selection of Detroit Entertainment, LLC, and Greektown Casino, LLC (8/19/99).
- U.S. Department of Interior officially recognizes Match-e-be-nash-she-wish Band of Pottawatomis Indians of Michigan (also known as Gun Lake Band) as sovereign Indian nation (8/23/99).

September 1999

- U.S. District Court judge (Grand Rapids) orders closure of Victories Casino in Petoskey (operated by Little Traverse Bay Band of Odawa Indians) until land is officially taken into trust for tribe by US Department of Interior (9/2/99). *Note - Casino re-opened in January 2000.*
- MSU professor estimates Detroit/Windsor annual gaming market to be \$3 billion, though industry leaders still think \$2 billion is more accurate (9/17/99).
- Coalition to Repeal Proposal E files affidavit with Board of State Canvassers, asking that petition signatures gathered in 1998 be counted, and question of repealing Michigan casino law be placed on November 2000 general election ballot (9/21/99).
- Attorneys for 47 landowners whose property is wanted by City of Detroit for site of permanent casino facilities challenge City's condemnation authority in Wayne County Circuit Court (9/29/99). Court's decision not expected until March 2000 or later.

October 1999

- *Detroit News* reports local investors Larry Deitch, Walter Douglas, Michael Malik, Herb Strather and Nellie Varner expected to voluntarily transfer ownership interest in Detroit Entertainment, LLC (10/11/99).
- During regularly scheduled meeting, Board approves transfers of ownership within Detroit Entertainment, LLC. In compliance with Michigan law, Board does not disclose identity or other details of transfers (10/11/99).
- MGM Grand, Inc., issues news release showing \$72 million net revenues for MGM Grand Detroit Casino's first 64 days of operation (data also includes non-gaming revenues such as food, beverage, etc.) (10/14/99).
- MGCB staff completes background investigation of Detroit Entertainment, LLC... submits Confidential Investigation Report to MGCB Executive Director (10/15/99).
- Detroit Urban League, New Detroit and National Association for Advancement of Colored People hold news conference regarding lack of ownership by African Americans in Detroit casino industry (10/19/99).
- MGCB Detroit office moves to Albert Kahn Building, 7430 Second Avenue, Suite 300 (10/19/99).
- Lac Vieux Desert Band of Lake Superior Chippewa Indians files motion for injunction in U.S. District Court (Grand Rapids) to stop Detroit casino licensing process, pending resolution of lawsuit contesting Detroit casino developer selection ordinance favoring selection of Detroit Entertainment, LLC, and Greektown Casino, LLC (10/21/99).
- According to City of Detroit's Human Rights Department, each of Detroit's three selected casino developer expended reasonable best efforts, and complied with terms of respective Development Agreement relative to local business and construction workforce participation (10/22/99).

November 1999

- Notice of Public Investigative Hearing for Detroit Entertainment, LLC, appears twice in *Detroit Free Press*, *Detroit News*, *Oakland County Press* and *Marquette Mining Journal* (11/1/99 and 11/4/99).
- Confidential Investigation Report on Detroit Entertainment, LLC, delivered to Board members and applicant (11/4/99).

- Wayne County Circuit Court rules state law on condemnation applies to City taking land for development of casinos (will hear arguments March 22, 2000, whether City of Detroit's condemnation of land for permanent casino sites complies with requirements of state law). (11/5/99).
- Pontiac City Council adopts resolution in support of interest by Bay Mills Indian Community to build casino at Pontiac Silverdome (11/15/99).
- Board conducts Pre-Hearing Conference in Lansing with Detroit Entertainment, LLC, in preparation for Public Investigative Hearing (11/16/99).
- Board conducts Public Investigative Hearing in Detroit for Detroit Entertainment, LLC (11/18/99).

December 1999

- MGM Grand Detroit Casino opens 2,200-space parking structure adjacent to its temporary casino (12/1/99).
- Detroit Entertainment, LLC, holds "media day" for reporters at its proposed temporary casino (12/1/99).
- US District Court (Grand Rapids) denies motion of Lac Vieux Desert Band of Lake Superior Chippewa Indians for injunction to stop Detroit casino licensing process (12/2/99).
- First shipment of slot machines and table games arrives at proposed Greektown Casino for inspection and testing by MGCB staff (12/6/99).
- Wayne County Circuit Court dismisses condemnation lawsuits by City of Detroit against landowners whose property is wanted for site of permanent casino facilities. Court rules City must first make genuine offers to purchase before filing condemnation complaints (12/10/99).
- Ingham County Circuit Court (Mason) rules all truthful and non-misleading advertising by a lawful casino is legal in Michigan (12/10/99).
- Board reconvenes Public Investigative Hearing; finds Detroit Entertainment, LLC, suitable for Casino License, and issues commercial Casino License (3:20 PM 12/14/99).
- Detroit Entertainment, LLC, begins casino gaming operations in its MotorCity Casino (6:00 PM 12/14/99).
- Gov. Engler reappoints Paula Blanchard and Rich Davis to new four-year terms on Board expiring December 31, 2003 (12/17/99).

- Lac Vieux Desert Band of Lake Superior Chippewa Indians files appeal with Michigan Court of Appeals to review MGCB's issuance of Casino License to Detroit Entertainment, LLC (12/21/99).
- MotorCity Casino patron becomes first to win \$1,000,000 on slot machine at either of Detroit's casinos (12/23/99).

FUTURE ACTIVITIES

It is impossible to predict with certainty what lies ahead for casino gaming in Michigan. However, it is tentatively projected that the MGCB will complete its background investigation of Greektown Casino, LLC, in the third quarter of 2000. If Greektown Casino, LLC, is found suitable and is granted a casino license by the MGCB in 2000, Detroit will have three fully operational licensed casinos as approved by Michigan voters in November 1996.

Work continues by the City of Detroit to acquire land needed for the development of three permanent casino-hotel complexes. The City has identified the east riverfront area, east of the Renaissance Center, as the desired location. In accordance with development agreements with the City, each casino developer has committed to building and maintaining world-class casino gaming facilities comparable to the Las Vegas MGM Grand or Monte Carlo casino hotels, complete with hotels, restaurants, convention centers and arenas and auditoriums for concerts, stage performances, and major sporting events. Due to the magnitude of construction involved in such ventures, permanent casino complexes are not expected to open before 2002.

- The term "temporary casino" (or "interim casino") describes a casino facility operated by a licensed casino operator while the licensee's "permanent" casino facility is being built. The word "temporary" describes the facility, not the casino license. The MGCB does not issue a temporary casino license. Rather, the Board is obligated by law to conduct a thorough background investigation of a casino license applicant, its officers, directors, key personnel, and affiliated companies. After a Public Investigative Hearing, the Board will issue a one-year casino license to an applicant found by the Board to be suitable for licensure. Casino licenses are renewable on an annual basis. Once a casino license is issued, and if the City of Detroit has approved a temporary facility, a licensed casino operator may conduct casino gaming in its temporary facility while its permanent facility is being constructed.
- By agreement between the City of Detroit and the three proposed casino operators, a temporary facility may not be used for casino gaming longer than 48 months after it opens. Once the "permanent" casino facility and its operations are found by the MGCB to be in compliance with the law, the casino operator will move all casino gaming from its "temporary" facility into its "permanent" facility. The "temporary" facility must then be converted for other practical use.
- In March 1999, Attorney General Jennifer Granholm ruled that temporary casino facilities may be licensed and operational in Detroit under the Act. Under the 1996 voter-initiated Act, a casino licensee may operate a temporary casino while developing a more permanent

location. Detroit, the only city permitted to have casinos under the Act, has the authority to select and approve casino locations. The city is not prohibited under the Act from allowing a temporary casino operation while a more permanent structure is under development.

- Regardless of whether a casino operator begins casino gaming in a temporary or permanent facility, the background investigation conducted by the MGCB will be thorough. There is no “abbreviated” background investigation for a temporary casino facility, and a more extensive investigation for a permanent casino facility.
- A casino license must be renewed annually upon payment of the required \$25,000.00 license renewal fee and submission of an annual report which provides sufficient information and documentation for the Board to determine that the licensee remains eligible and suitable for renewal of its casino license. All licenses are subject to further investigation and oversight by the Board during the term of licensure to confirm their continued eligibility and suitability to hold a casino license under state law.

The most accurate and up-to-date information regarding future activities may be found on the MGCB website at www.state.mi.us/mgcb.

MINORS AND COMPULSIVE GAMBLING

The *Michigan Gaming Control & Revenue Act* requires that the Board include in its Annual Report certain information that each casino licensee must compile annually regarding minors and compulsive gambling.

MGM Grand Detroit, LLC, and Detroit Entertainment, LLC, were issued casino licenses by the MGCB in 1999. Their reports on minors and compulsive gambling are not due to the MGCB until July and December 2000, respectively, and will, therefore, be addressed in the MGCB Annual Report for calendar year 2000 (to be published in April 2001).

MGCB STAFF

By the end of calendar year 1999, the MGCB staff was comprised of the following:

Mr. Nelson Westrin, Executive Director

Ms. Patty James, Executive Assistant

Administrative Services Division

Ms. Nancy Horton, Deputy Director

Ms. Tammy Tubbs, Executive Assistant

Mr. Tom Barker, Information Systems Program Manager

Mr. Eric Bush, Director of Governmental Affairs

Mr. Greg Campbell, Information Systems Analyst

Ms. LeAnn Droste, Budget Officer

Mr. Philip DuLong, Network Administrator

* Ms. Melissa Goodnoe, Receptionist

* Ms. Sophia Griffin, Secretary

* Ms. Sandra Johnson, Executive Assistant

* Ms. Sharise Johnson-Smith, Documents & Records Technician

Ms. Marina Kotsifis, Procurement Analyst

* Ms. Hurlstein "Stina" Lyles, Secretary

* Mr. Charlie Marengo, Information Systems Analyst

Mr. Robert Nelson, Director of Communications

Mr. Dan Ostrom, Document & Records Specialist

* Mr. Robert Simon, Accountant

Mr. Larry Smith, Detroit Office Administrator

Mr. Joe Welz, Information Systems Programmer

Audit & Financial Services Division

Mr. Ben McMakin, Deputy Director

Ms. Laurie Lander, Executive Assistant

Mr. Rae Jim Burnett, Financial Specialist

Mr. Rajesh Dharia, Information Systems Auditor

Mr. Stratford Johnson, Casino Auditor

Mr. John Page, Audit Manager

* Ms. Theresa Willis, Casino Auditor

* Mr. Michael Wynn, Casino Auditor

Licensing & Compliance Division

Mr. Tom Nelson, Deputy Director

* Ms. Kara Kabia, Executive Assistant

Mr. Nick Alagna, Casino Employee Licensing Section Manager

Ms. Pam Aungst, Regulation Officer

* Mr. Barry Beck, Regulation Officer

* Mr. Charles Benson, Departmental Technician

Ms. Myra H. Brown, Regulation Officer

Mr. Tom Bucia, Gaming Specialist
Ms. Tina Calamita, Regulation Officer
* Ms. Charlotte Davidson, Departmental Technician
Ms. Pam Duke, Regulation Officer
* Mr. Gary Elliott, Regulation Officer
* Mr. Dan Fields, Regulation Officer
Ms. Lisa Haubrick, Regulation Officer
* Ms. Sharon Henderson, Departmental Technician
* Ms. Mildred Holmes, Regulation Officer
* Mr. Nader Jadallah, Gaming Lab Engineer
* Ms. Beverly Kimbrough, Gaming Lab Secretary
* Ms. Marcia Kibby, Departmental Technician
* Mr. Cedric Knott, Regulation Officer
Mr. Pat Leen, Casino Compliance Section Manager
* Ms. Ginger Lewis, Regulation Officer
* Ms. Laura McDonald, Regulation Officer
* Ms. Gretchen Mink, Regulation Officer
* Mr. Rick Percy, Regulation Officer
* Mr. Aaron Pongracz, Departmental Technician
Ms. Carol Poshedly, Casino & Service Industry Licensing Section Manager
* Ms. Denise Reece, Departmental Technician
Ms. Kathy Stambaugh, Licensing Section Secretary
Mr. Dale Thibodeau, Regulation Officer
* Mr. Scott Thomas, Regulation Officer
Mr. John Trafelet, Compliance Officer
* Mr. Joshua Travis, Regulation Officer
* Mr. Gary Washington, Departmental Technician
* Mr. Tom Wilson, Regulation Officer

** Joined MGCB staff in 1999*

The Michigan Attorney General and Michigan Department of State Police assigned specialized units to assist the MGCB in carrying out its statutory duties under the amended Act. The MGCB acknowledges the cooperation and assistance of these agencies and their respective staff members.

Michigan Attorney General, Casino Control Division
(located at 1500 Abbott Road, Suite 300, East Lansing)

Mr. Eric Eggan, Assistant Attorney General in Charge

Ms. Diane Pittman, Division Head Secretary
Ms. Randalyn Jegla, Legal Secretary
Mr. Jack Cahill, First Assistant Attorney General
Ms. Teresa Bingman, Assistant Attorney General
Ms. Musette Michael, Assistant Attorney General

Michigan Department of State Police, Gaming Section
(located at 7430 Second Avenue, Suite 300, Detroit)

Administration

Inspector Dewayne Brantley

Mariann Musgrave, Administrative Assistant
Ken Scroi, Computer Technician

Investigative Section

D/F/Lt. Darwin Scott

Joy L. Curry, Secretary
D/Sgt. Joseph Hanley
D/Sgt. Vicki Johnson
D/Sgt. Allan Reed
D/Sgt. Wynonia Sturdivant
D/Sgt. Edward Viverette
D/Spl. Arthur Andrews
D/Spl. Derrick Carroll
D/Spl. Sue Cato
D/Spl. Robin Coppens
D/Spl. Marcel Garcia

D/Spl. Kelly Goynes
D/Spl. Kristi Grumeretz
D/Spl. Linda Jordan
D/Spl. David Kelly
D/Spl. Paul Rambo
D/Spl. Trudy Rampy
D/Spl. Emmanuel Riopelle
D/Spl. Shawn Thrower
D/Spl. Tracey Walton
D/Spl. Virgil Washington
D/Spl. Rod Williams
D/Spl. Dawn Zonca

Enforcement Section

D/F/Lt. Morris Brown

D/Lt. Thomas Trombley
D/Sgt. Robert Honey
D/Sgt. Marva Moore
D/Sgt. Brian Sparks
D/Sgt. Frank McCrary
D/Sgt. Al Veal
D/Spl. Barbara BeBout
D/Spl. Kyle Bowman
D/Spl. Emerson Cox
D/Spl. Lisa Czopek

D/Spl. Jason Davenport
D/Spl. Richard Gilbert
D/Spl. Angela Hunt
D/Spl. Mark Kellar
D/Spl. Derrick Libstaff
D/Spl. Frank Little
D/Spl. Mindy Logan
D/Spl. Theresa Maylone
D/Spl. Charles Morehead
D/Spl. Eric Old

(as of 12/31/99)

BOARD REVENUES AND EXPENDITURES

State Services Fee Fund

Section 12a of the Act, MCL 432.212a, provides that all regulatory and enforcement costs, compulsive gambling programs, and other casino-related programs and activities conducted by the Michigan Gaming Control Board, the Michigan Department of State Police, the Michigan Department of Attorney General, the Michigan Department of Community Health and other state agencies shall be paid by an annual state services fees paid by licensed casinos under the Act. The total annual state services fee assessment for the first year in which any casino licensee begins operations shall be \$25,000,000.00, with each licensed casino responsible for one-third of the total annual assessment (or \$8,333,333.33). After the first year in which any licensed casino begins operations, the annual state services fee assessment shall be adjusted annually by multiplying the annual assessment for the preceding year by the Detroit consumer price index for the immediate preceding year, as defined and reported by the US Department of Labor, Bureau of Labor statistics.

The first year in which Detroit casinos were licensed and began operations was 1999. MGM Grand Detroit, LLC, was licensed to operate its temporary casino facility (MGM Grand Detroit Casino) on July 28, 1999, and began operations the following day on July 29, 1999. Detroit Entertainment, LLC, was licensed on December 14, 1999, and began operations in its temporary casino facility (MotorCity Casino) the same day. Pursuant to Section 12a of the Act, MGM Grand Detroit, LLC, and Detroit Entertainment, LLC, were each assessed and paid a state services fee of \$8,333,333.33, for an aggregate total of \$16,666,666.66 in state services fees collected and received from casino licensees in 1999. Since the third authorized casino under the Act was not licensed or operational in 1999, no state services fees were assessed, collected or received from a third casino licensee in 1999.

From the total annual services fees collected each year, \$2,000,000.00 shall be deposited in the compulsive gaming prevention fund, administered by the Michigan Department of Community Health. Other distributions of the state services fee fund shall be made to the Michigan Gaming Control Board and other state agencies by the legislature through the annual appropriations process.

Legislative Appropriations for the Michigan Gaming Control Board

Since 1999 was the first year in which the Michigan Gaming Control Board could collect any state services fees from casino licensees under the Act, all legislative appropriations to cover the operations of the Michigan Gaming Control Board for both Calendar Year 1999 and Fiscal Year 1999 (10/1/98 - 9/30/99) were made from the State's general fund, with the provision that all such general fund transfers would be reimbursed with interest from the state services fees collected by the Michigan Gaming Control Board pursuant to the Act, in an amount and manner consistent with operating practices of the State's common cash fund.

For Fiscal Year 1999 (10/1/98 - 9/30/99), the legislature appropriated \$10,289,000 to fund Michigan Gaming Control Board operations to administer and enforce the Act, including the cost of assistance received by the Michigan Gaming Control Board from the Michigan departments of State Police and Attorney General, during the fiscal year.

Other Board Revenues and Receipts

Besides annual legislative appropriations and state services fees, each year the Board may also assess and collect application fees to fund the cost of required background investigations of all casino, supplier and occupational license applicants; annual license fees; and fines for violations of the Act or Administrative Rules of the Board by license applicants or licensees.

License applicants may be assessed application fees to cover the entire cost of their required background investigation under the Act. In addition, prior to receiving a casino, supplier or occupational license, each applicant must pay a required license fee.

The Michigan Gaming Control Board is empowered to assess fines as part of any disciplinary action it may take against a license applicant or licensee for violation of the Act or Administrative Rules of the Board.

Section 15 of the *Michigan Gaming Control and Revenue Act*, as amended, 1997 PA 69, MCL 432.215, requires that the Board include in its Annual Report an account of its financial position and results of operation under the Act. While the Board, like all state agencies, operates on a fiscal year (October 1 - September 30) basis, the Act requires that the Board's Annual Report be based on the calendar year. For the reader's convenience, both reporting years are shown here (figures rounded to nearest Thousand).

Board Revenues and Expenditures

	Calendar Year 1999 (1/1/99 - 12/31/99)	Fiscal Year 1999 (10/1/98 - 9/30/99)
Revenue *	19,738.5	10,777.1
Expenditures and Transfers		
Gaming Control Board	8,221.5	7,500.6
Attorney General	520.8	513.6
State Police	3,480.4	3,247.8
Total Expenditures and Transfers	12,222.7	11,262.0

* Revenue collected was in the form of annual assessments, license fees, and application fees. Application fees were received from casinos, suppliers, and occupational licensees, which reimbursed expenditures incurred for conducting background investigations. MGCB expenditures were partially financed from General Fund advances approved by the Department of Management and Budget. General Fund advances will be reimbursed with interest from the State Services Fee Fund in an amount and manner consistent with the operating practices of the State's Common Cash Fund.

Footnote:

Fiscal Year 1999 figure for expenditures and transfers represents operating transfers and expenditures. These items are shown separately in State of Michigan Comprehensive Annual Financial Report (SOMCAFR). Department of Management and Budget, Office of Financial Management, reviewed and approved data as published.

Calendar Year 1999 figures not included in SOMCAFR.

CASINO GAMING TAX

The *Michigan Gaming Control & Revenue Act*, as amended (Public Act 69 of 1997), requires each Detroit casino to pay, among other fees and taxes, a State Wagering Tax which amounts to 8.1% of each casino's Net Win. Sometimes referred to as Adjusted Gross Receipts, the Net Win is a casino's gross receipts, less winnings paid to wagerers. From the Net Win, a casino pays fees and taxes, employee wages and benefits, and other costs related to operating a casino.

The State Wagering Tax is paid daily by each Detroit casino through an electronic funds transfer to the State. The entire amount is deposited into the School Aid Fund for statewide K-12 classroom education.

As an agency within the Michigan Department of Treasury, the MGCB is prohibited by Michigan law* from releasing the State Wagering Tax paid by an individual Detroit casino. However, the MGCB will release the aggregate State Wagering Tax paid by all three Detroit casinos after all three casinos are operational. The data will be posted on the MGCB website (www.state.mi.us/mgcb) after the end of each month. The data will be unaudited, and subject to change.

Note - In late 1999, legislation was introduced in the Michigan Senate which would exempt the Michigan Gaming Control Board and its staff from the prohibition against the release of revenue data from a Detroit casino. As of the end of 1999, the legislation was still pending.

* Administration of Taxes - MCL 205.28(1)(f)

Except as otherwise provided in this subdivision, an employee, authorized representative, or former employee or authorized representative of the [Michigan] Department [of Treasury] or *anyone connected with the Department shall not divulge any facts or information obtained in connection with the administration of a tax* or information or parameters that would enable a person to ascertain the audit selection or processing criteria of the Department for a tax administered by the Department. (*emphasis added*)

A person may disclose information described in this subdivision if the disclosure is required for the proper administration of a tax law administered under this Act, pursuant to a judicial order sought by an agency charged with the duty of enforcing or investigating support obligations pursuant to an order of a court in a domestic relations matter as that term is defined in Section 31 of the Friend of the Court Act (1982 PA 294, MCL 552.531), or pursuant to a judicial order sought by an agency of the federal, state, or local government charged with the responsibility for the administration or enforcement of criminal law for purposes of investigating or prosecuting criminal matters or for federal or state grand jury proceedings or a judicial order if the taxpayer's liability for a tax administered under this Act is to be adjudicated by the court that issued the judicial order.

However, the commissioner or a person designated by the commissioner may divulge information set forth or disclosed in a return or report or by an investigation or audit to any department, institution, or agency of state government upon receipt of a written request from a head of the department, institution, or agency of state government if it is required for the effective administration or enforcement of the laws of this state, to a proper officer of the U.S. Department of Treasury, and to a proper officer of another state reciprocating in this privilege.

The commissioner may enter into reciprocal agreements with other departments of state government, the U.S. Department of Treasury, local governmental units within this state, or taxing officials of other states for the enforcement, collection, and exchange of data after ascertaining that any information provided will be subject to confidentiality restrictions substantially the same as the provisions of this Act.



SUMMARY OF PUBLIC ACT 69 OF 1997

As previously noted, Proposal E, as approved by Michigan voters in the November 1996 statewide general election, was substantially amended by the Michigan Legislature in July 1997. In summary, the amended Act (Public Act 69 of 1997):

- Authorizes up to three licensed casinos in the City of Detroit (*MGM Grand Detroit Casino was licensed in July 1999; MotorCity Casino was licensed in December 1999; the background investigation of Greektown Casino, LLC, is expected to be completed in March 2000*)
- Vests the Michigan Gaming Control Board (a Type I agency within the Michigan Department of Treasury) exclusive authority to license, regulate, and control casino gaming in three authorized Detroit casinos
- Authorizes the MGCB 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 supplies, casino employees, and those who participate in gaming
- Establishes licensing standards and procedures for issuance of casino licenses, casino supplier licenses, and casino employee licenses
- Imposes civil and criminal penalties for violation of the Act
- Authorizes and imposes certain taxes and fees on casinos and others involved in casino gaming
- Provides for the distribution of casino tax revenue for K-12 public education in Michigan, and for capital improvement, youth programs, and tax relief in the City of Detroit
- Creates certain funds for the operation of the Board to license, regulate and control casino gaming; and funds for compulsive gambling prevention programs and other casino-related State programs
- 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 committees
- Establishes a Code of Ethics for members, employees and agents of the Board, license applicants, licensees, and others involved in gaming