

Legislative Analysis



SPORTS GAMBLING AT CASINOS

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House Bill 4060 as introduced
Sponsor: Rep. Robert L. Kosowski
Committee: Regulatory Reform
Complete to 5-22-18

Analysis available at
<http://www.legislature.mi.gov>

REVISED SUMMARY:

House Bill 4060 would amend the Michigan Gaming Control and Revenue Act (Initiated Law 1 of 1996) by adding a new Section 9e to allow the holder of a casino license to accept wagers on sporting events. The bill would apply to the three Detroit casinos.

The bill would require the approval of voters at the next general election in order to take effect. (A general election is an election in November of an even-numbered year.) Majority approval would be required both statewide and in the township or city where the authorized gambling was to take place. If approved, the amendatory act would go into effect 10 days after the date of the official declaration of the vote.

The bill also would require the Michigan Gaming Control Board to promulgate rules to regulate the conduct of sports betting.

[Note: It is understood that because the land on which Indian Tribal Casinos are built belongs to that Indian nation and is not subject to Michigan law, only the city of Detroit would need to approve sports gambling, in addition to a majority of residents voting statewide.]

Proposed MCL 432.209e

BACKGROUND INFORMATION:

Article 2, Section 9 of the Michigan Constitution of 1963 states, in part, that "...no law adopted by the people at the polls under the initiative provisions of this section shall be amended or repealed, except by a vote of the electors unless otherwise provided in the initiative measure or by three-fourths of the members elected to and serving in each house of the legislature." Because Initiated Law 1 of 1996 was approved as Proposal E by Michigan voters, three-fourths of those elected and serving in the House and Senate must approve the changes made by the bill.

Nevada has long been the only state where sports betting in a casino has been legal. The United States Supreme Court recently held that the Professional and Amateur Sports Protection Act (PAPSA), long regarded as prohibiting a state from authorizing sports betting, was inconsistent with the U.S. Constitution's anti-commandeering rule.¹

¹ *Murphy v National Collegiate Athletic Association*, decided May 12, 2018.

REVISED FISCAL IMPACT:

Presumably, the acceptance of wagers on sporting events under House Bill 4060 would increase state and local wagering tax revenues due to an estimated increase in adjusted casino gross receipts at the three Detroit casinos. The state casino wagering tax (8.1% of adjusted gross receipts) is deposited in the State's School Aid Fund. The city wagering tax (10.9% of adjusted gross receipts) supports general operations for the City of Detroit. The City of Detroit would also realize increased revenues from the municipal services fee and casino development agreement payment, since both are based on total adjusted gross receipts.

While the extent of the impact in Michigan is unknown, data from the state of Nevada show that adjusted gross receipts for the 191 sports pools totaled \$248.8 million in 2017. This constituted approximately 2.1% of the \$11.86 billion in total casino adjusted gross receipts in the state of Nevada. Michigan's three Detroit casinos generated \$1.40 billion in adjusted gross receipts in 2017. If we assume a similar proportion from legalized sports pools as that in Nevada, the three Detroit Casinos could generate \$28.0 to \$33.0 million in adjusted gross receipts annually. Taxed at state's 8.1% casino wagering tax rate, this would generate approximately \$2.3 to \$2.7 million annually to the State School Aid Fund. From the 10.9% casino wagering tax dedicated to the City of Detroit, the city would realize \$3.1 to \$3.6 million in annual revenues. Combined, the municipal services fee and casino development agreement payment would increase revenues by approximately \$1.0 million annually. Forecast uncertainties include differences in the customer base and gaming market in Michigan, as well as the overall legal landscape nationally. That said, sports wagering does not appear to be a major generator of adjusted gross receipts in any of the Nevada regional gaming markets.

The impact on state and local tribal gaming revenues cannot be determined. Michigan tribal casinos are not regulated under state law. Rather, they operate under the Indian Gaming Regulatory Act and Tribal-State Compacts. On the one hand, authorized sports wagering could be deemed an expansion of gaming by the tribal casinos. In that case, the annual tribal gaming payments made to the state in the form of payments to the Michigan Economic Development Corporation (MEDC) and Michigan Strategic Fund (MSF) for economic development purposes would likely stop. According to Michigan Gaming Control Board (MGCB) data, 2017 revenues from tribal gaming to the MEDC/MSF totaled \$57.3 million. On the other hand, a tribal casino presumably could decide to offer wagering on sporting events through a revised Tribal-State Compact. The impact on state and local revenues from tribal gaming would depend on the terms of the revised Tribal-State Compact.

Lastly, the bill would likely increase administrative and regulatory costs for the MGCB. Administrative and regulatory costs are covered by the State Services Fee Fund. Therefore, increased administrative and regulatory costs would increase expenditures from the State Services Fee Fund.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.