

Legislative Analysis



MULTIJURISDICTIONAL INTERNET POKER

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Senate Bill 991 (S-1) as reported from committee

Sponsor: Sen. Curtis Hertel, Jr.

1st House Committee: Regulatory Reform

2nd House Committee: Ways and Means

Senate Committee: Regulatory Reform

Complete to 12-5-20

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

(Enacted as Public Act 327 of 2020)

SUMMARY:

Senate Bill 991 would amend the Lawful Internet Gaming Act to allow the Michigan Gaming Control Board (MGCB) to enter into agreements to facilitate multijurisdictional internet *poker*.

Poker would mean the traditional game of poker, and any derivative of that game as approved by MGCB, in which two or more authorized participants play against each other and wager on the value of the cards in their hands.

Under the bill, MGCB could enter into agreements with other jurisdictions, including Indian tribes, to facilitate, administer, and regulate multijurisdictional internet gaming for poker by internet gaming operators, as long as both of the following conditions were met:

- Entering into the agreement is consistent with state and federal laws.
- The internet gaming under the agreement is conducted only in the United States.

If multijurisdictional internet poker were authorized as described above, the holder of an internet gaming operator license would have to do both of the following as a condition of licensure:

- Comply with the act, MGCB rules, and minimum internet controls regarding procedures and requirements for accepting internet poker wagers made by individuals located in other jurisdictions.
- Maintain one or more mechanisms on the internet gaming platform that are designed to reasonably verify that an authorized participant is at least 21 years old and that internet wagering is limited to transactions made by an authorized participant located in another United States jurisdiction authorized by the multijurisdictional agreement. (Licensees must currently maintain age and location verification mechanisms for authorized participants located in Michigan.)

MCL 432.303 et seq.

FISCAL IMPACT:

The bill would likely result in a net increase in internet gaming tax revenues even after accounting for any substitution effect. That said, poker games comprise only between 1-2% of adjusted gross receipts, so the overall impact would be relatively modest.

Allowing multijurisdictional poker play would presumably result in increased play and wagering in online poker games. It is estimated that there would be some substitution effect

through the capture of poker play that would otherwise have happened at brick-and-mortar facilities and through the capture of other game wagering. However, it is assumed that poker is a unique game and therefore the substitution effect on other game wagering would be minimal. Despite the city of Detroit receiving between 2.5 to 4.9 percentage points less gaming tax revenue from online internet gaming adjusted gross receipts, it is estimated that increased play and wagering from multijurisdictional poker would likely more than offset this deficit. The School Aid Fund receives a higher percentage (between 4.9 and 10.1 percentage points after accounting for statutory fixed costs) of the internet gaming tax than the brick-and-mortar tax and would realize increased revenues. In sum, it is expected that both the city of Detroit and the School Aid Fund would realize a relatively small increase in tax revenues.

MGCB would have increased costs in administering and regulating the online poker market, but any costs would be offset through the retention of necessary Internet Gaming Fund funds pursuant to statute. However, these costs are not estimated to be significant.

Statute requires 5% of internet gaming taxes to be distributed to the Michigan Agriculture Equine Industry Development Fund. The bill would therefore increase revenues to the fund by a small amount.

Lastly, as with any change in gaming, it is possible that tribes offering casino gaming and making payments to the MEDC/MSF under the Tribal-State Compacts could withhold payments by deeming the gaming change a violation of the terms of the compact. However, predicting whether this will happen is not possible. MEDC/MSF received approximately \$54.7 million in FY 2018-19, the last full fiscal year of data. Assuming that no payments were withheld, the MEDC/MSF and local governments (recipients of tribal gaming revenues) would realize a relatively small increase in gaming revenues.

POSITIONS:

The following entities indicated support for the bill:

Michigan Gaming Control Board (12-2-20)

FanDuel (12-1-20)

Greektown Casino (12-1-20)

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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.