

## MILLIONAIRE PARTIES

Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**House Bill 4081 (reported from committee as H-2)**  
**Sponsor: Rep. Tom Barrett**

Analysis available at  
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**Senate Bill 35 (reported from House committee as H-1)**  
**Sponsor: Sen. Rick Jones**

**Committee: Regulatory Reform**  
**Complete to 4-17-17**

**BRIEF SUMMARY:** Senate Bill 35 would amend the Bingo Act to group provisions pertaining to charitable gaming other than millionaire parties, such as bingo and raffles, into a new Article 1, make numerous revisions of a technical nature, require fees and revenues collected by the Michigan Gaming Control Board (pertaining to millionaire parties) to be paid into the State Lottery Fund, and repeal several obsolete provisions of the current act.

House Bill 4081 would amend the same act to create a new Article 2 that will, among other things, contain provisions relating to millionaire parties, add definitions, rescind all current rules pertaining to millionaire parties and require new rules implementing Article 2 to be promulgated, place regulation of millionaire parties with the Michigan Gaming Control Board, and require annual reports to the governor and Legislature about the operation of licensed millionaire parties. The term "millionaire party" refers to "an event at which wagers are placed on games of chance customarily associated with a gambling casino through the use of imitation money or chips that have a nominal value equal to or greater than the value of the currency for which they can be exchanged."

**FISCAL IMPACT:** The bills would increase certain costs to the Michigan Gaming Control Board. See *Fiscal Information* below for more details.

### **THE APPARENT PROBLEM & BACKGROUND:**

For many charities, revenue earned at millionaire parties represents a significant portion of annual budgets. This is money that typically goes back into the community through a variety of service programs, assistance, and youth educational and/or sports programs. Many veterans, seniors, and low-income residents in particular benefit from the many programs supported by area nonprofits. Yet supporters of these charities say they saw their revenue potential greatly curtailed by some of the administrative rules promulgated by the Michigan Gaming Control Board after that agency took over regulation of millionaire parties.

Though abuses connected to operation of millionaire parties have been reduced since the MGCB took over, many charities contend that some of the rules, and how they have been enforced, are draconian and make it difficult for many charities, whose fundraising efforts

are typically run by volunteers, to comply and/or to make enough profits to support their community projects.

Charitable gaming as a fundraising tool for nonprofits has been authorized in Michigan since enactment of the Traxler-McCauley-Law-Bowman Bingo Act in 1972 allowed charities to begin to conduct bingo games in 1973. Besides bingo, charities considered to be a "qualified organization" may conduct large and small raffles, sell charity game or numeral game tickets, and conduct millionaire parties. A charity was allowed up to four event licenses a year, with each event lasting up to four consecutive days. Also called "Las Vegas Nights," millionaire parties were typically sponsored by churches and fraternal organizations. They were popular because they could offer certain casino-style games, award both cash and merchandize as prizes, and sell charity tickets and conduct raffles. The landscape of millionaire parties changed in 2004, however, when Texas Hold 'Em, a popular poker game, was allowed to be included in the games offered at millionaire parties.

Texas Hold 'Em proved to be popular both for the charities and for attendees. For the host charity, a millionaire party featuring only Texas Hold 'Em was less expensive to host, needed fewer members to be present to run an event, and could generate more revenue at a single event than other fundraising efforts. Attendees had the chance to hone their poker skills (useful at casinos and poker tournaments) and to vie for higher prize payouts than at other fundraising events. Texas Hold 'Em charity events became so popular that the Michigan Lottery Charity Gaming Division saw an 8.5 percent increase for requests for millionaire party licenses in FY 2004, the first year Texas Hold 'Em was allowed, from the previous fiscal year—the first increase since 1993—and saw the number of requests double at least four times by 2009.

The problem, according to some, is that because the Bingo Act predated the addition of Texas Hold 'Em to millionaire parties and did not contain provisions that adequately regulated the new game to prevent abuses, fraudulent practices began to flourish. With nightly chip sales of up to \$15,000 per event, some bars and other establishments began renting out space for Texas Hold 'Em to charities. However, problem began to arise with chips from different charities conducting events at the same location being comingled. Other problems included events at which no members of the host charity were in attendance (meaning that the location owners or staff were conducting the charity games); location owners supplying dealers and equipment; and location owners or their employees handling the money from the sale of chips, doing the recordkeeping, and submitting the required reports to the Lottery Bureau. Reports of abuses began surfacing, including reports of location owners and suppliers skimming profits from the charities and even creating charities for the sole purpose of operating millionaire parties for their own—and not a charitable—purpose. In essence, unlicensed poker rooms were now offering, under the guise of charitable gaming, large scale gambling.

In an attempt to discourage such abuses, Governor Snyder in 2012 transferred regulatory authority over millionaire parties from the Bureau of State Lottery to the executive director of the Michigan Gaming Control Board (MGCB), the same agency that oversees the Detroit casinos. In the years that ensued, a temporary moratorium was placed on approving

new licenses and locations, new administrative rules were issued and then blocked from enforcement due to court challenges, and a smaller set of emergency rules enacted. To the MGCB, the emergency rules brought order, stemmed the abuses, and stabilized the millionaire party charity gaming revenue at about \$94 to \$95 million a year. As noted earlier, charities complain that the rules contain some onerous provisions they believe stifle their ability to raise funds through conducting millionaire parties. Some charities report decreased revenue of 30 percent or more since the emergency rules have taken effect.

Last session, legislation to codify the emergency rules, with some changes to address concerns of charities, failed to pass both chambers (SB 187 and HB 4293). Legislation has once again been offered.

### ***THE CONTENT OF THE BILLS:***

House Bill 4081 and Senate Bill 35 would together amend the Traxler-McCauley-Law-Bowman Bingo Act (hereafter referred to as "the act") by amending provisions relating to charitable gaming and by organizing the act into two articles.

Article 1, created by Senate Bill 35, contains definitions and provisions pertaining to different types of allowable charitable gaming *other than millionaire parties*. Enforcement and supervision of the administration of Article 1 would be the responsibility of the Bureau of State Lottery.

Article 2, created by House Bill 4081, governs *millionaire parties*. The Michigan Gaming Control Board would bear responsibility for regulating millionaire parties. Many of the provisions are similar or identical to provisions contained in the emergency rules promulgated by the executive director of the Board in 2014. However, House Bill 4081 would rescind any rules promulgated by the executive prior to the bill's effective date and require the executive director to promulgate new rules to implement Article 2.

The term "millionaire party" refers to "an event at which wagers are placed on games of chance customarily associated with a gambling casino through the use of imitation money or chips that have a nominal value equal to or greater than the value of the currency for which they can be exchanged."

The bills are tie-barred, meaning neither can take effect unless both are enacted into law. A more detailed description of the changes follows.

#### **Article 1: Other than millionaire parties (SB 35)**

Generally speaking, Senate Bill 35 would make mostly technical changes to existing provisions relating to the hosting of a bingo, raffle, charity game, or numeral game. The bill would remove references to millionaire parties in these provisions, as that form of charitable gaming would be governed by the provisions of the new Article 2 created by House Bill 4081.

Senate Bill 35 would group several existing sections into the new Article 1. This article applies to such "events" as bingo games, a raffle, a charity game, or numeral game conducted under a license issued under Article 1.

#### Charitable gaming requirements

The bill would add a new provision stating that all fees and revenue collected by the executive director or board must be paid into the State Lottery Fund, out of which all necessary expenses incurred by either the executive director or the board in the administration and enforcement of any activity authorized by the act would be paid. All fees and revenue collected by the lottery commissioner or bureau of state lottery are already paid into this fund and pay for all necessary expenses incurred by the commissioner or bureau in the administration and enforcement of the act.

The expenses incurred may not exceed the amount of revenues received from the sale of charity game tickets and all fees collected under the act. At the end of each fiscal year, all monies attributable to fees and revenue collected under this act that remain in the fund lapse are deposited into the General Fund.

Instead of stating that the bureau is responsible for the enforcement and supervision of the administration of the *act*, the bill would specify that the bureau would be responsible for the enforcement and supervision of the administration of *Article 1*.

A raffle conducted under the act or rules promulgated under the act would be added to an existing list of other forms of gaming exempt from other laws providing a penalty or disability upon a person who conducts, or participants in, those activities.

#### Enacting Section 1: Repealers

Sections 10a, 10b, and 20 of the act would be repealed. Section 20 contains an obsolete provision pertaining to the original effective date of the act and that bingo could not be lawfully conducted until June 30, 1973. Sections 10a and 10b pertain to millionaire parties. Generally speaking, the provisions of these millionaire party sections have been incorporated into the new Article 2 contained within House Bill 4081.

### **Article 2: Millionaire parties (HB 4081)**

House Bill 4081 would add a new Article 2 to the act, dealing with millionaire parties. As noted above, the term "millionaire party" refers to "an event at which wagers are placed on games of chance customarily associated with a gambling casino through the use of imitation money or chips that have a nominal value equal to or greater than the value of the currency for which they can be exchanged." This definition would remain unchanged by the bill.

Currently, under the act, a qualified organization may apply for a license to conduct a millionaire party. The term is defined under Article 1 to mean either of the following:

- A bona fide religious, educational, service, senior citizens, fraternal, or veterans' organization that operates without profit to its members and that either has been in existence continuously as an organization for a period of five years or is exempt from taxation under Section 501(c) of the Internal Revenue Code.
- Only for the purpose of conducting a small raffle or a large raffle under the act, a component of the military or the Michigan National Guard whose members are in active service or active state service.

"Qualified organization" does not include a candidate committee, political committee, political party committee, ballot question committee, independent committee, or any other committee as defined, and organized under, the Michigan Campaign Finance Act. The bill retains this definition and the exclusions.

#### Promulgation and rescinding of rules

The bill would rescind any rules promulgated by the executive director of the Michigan Gaming Control Board prior to the bill's effective date and require the executive director to promulgate new rules to implement Article 2 pursuant to the Administrative Procedures Act of 1969 (PA 306 of 1969).

#### Millionaire party license

A qualified organization may be issued up to four millionaire party licenses in a calendar year (but no more than one license per day), with each of those licenses issued for up to four consecutive days (meaning that the maximum number of days that a qualified organization could conduct millionaire parties, or events, in a calendar year would be 16).

A license is only valid for one location and that location must be stated on the license. Further, the license must state that for each day on which a millionaire party is to be conducted, gaming can only be conducted by the licensee between the hours of 8 a.m. on that day and 2 a.m. on the following day. A license is not assignable or transferable, and a licensee could not assign or transfer a millionaire party license.

A millionaire party licensee would be required to comply with Article 2 and any rules promulgated under Article 2, and the terms and requirements of the license.

#### Application for a millionaire party

Under the bill, a written application must be submitted to the executive director on a prescribed form and must include all of the following:

- ❖ The applicant's name and address as well as the name and address of each officer.
- ❖ The name of each individual who will serve as a dealer at the event and whether the individual has been convicted of, forfeited bond on a charge of, or pled guilty to any of the following:
  - A felony.
  - A gambling offense.
  - Criminal fraud.
  - Forgery.

- Larceny.
- Filing a false report with a governmental agency.
- ❖ The location at which the event will be conducted and the dates of the event. (For Article 2, "event" means an occasion of a licensed millionaire party.)
- ❖ A description of the demarcated area for the event and an explanation of how the demarcated area will be marked. ("Demarcated area" means the physical area in which gaming is conducted at an event.)
- ❖ Sufficient facts relating to the applicant's incorporation or organization to enable the executive director to determine whether the applicant is a qualified organization.
- ❖ A sworn statement attesting to the nonprofit status of the applicant, signed by the principal officer of the applicant.
- ❖ Other information the executive director considers necessary.

#### Issuance of a millionaire party license

If an applicant for a millionaire party license is determined to be a qualified organization, the executive director *is required to issue* a millionaire party license to the applicant *if both* of the following apply:

- ❖ The applicant has paid a fee to the executive director of \$50 per day that the applicant proposes to conduct the millionaire party.
- ❖ There is no reason to deny the issuance of the license under Section 18 of the act. (Under Section 18, certain prior violations of the act or rules promulgated under it makes the violator ineligible for a license for a period of time).

#### Exceptions for hardship conditions

Under extreme hardship conditions (as determined by the executive director), the executive director could waive one or more of the requirements for designation as a qualified organization for a *person* to be a qualified organization. "Person" is defined in Article 1 as an individual, firm, association, corporation, or other legal entity. If all of the following conditions were met, the executive director could issue a millionaire party license to the person:

- ❖ The person is a nonprofit organization.
- ❖ The entire proceeds of the event, less the actual reasonable expense of conducting the event, are donated or used for a charitable purpose, organization, or cause.
- ❖ None of the individuals connected with the management of the event are compensated in any manner for participation.
- ❖ The person has complied, and will comply, with all other provisions of this article and rules promulgated under Article 2.

Similarly, under extreme hardship conditions, the executive director may allow *an individual, or a group of individuals*, who met the above conditions (with the exception of being a nonprofit organization) to obtain a license to conduct a millionaire party.

### Operation of an event

- ❖ A licensee must ensure that an event is conducted in compliance with Article 2 and rules promulgated under it.
- ❖ The license must be posted and conspicuously visible at all times at the location where the event is being conducted.
- ❖ No more than \$20,000 could be received in exchange for imitation money or chips on any day under the license. However, if the licensee conducted the event without using dealers from a supplier *and* owns the location at which the event is held *and if* the license is for fewer than four days of gaming (e.g., one to three days), the daily limit would be determined by dividing \$80,000 by the number of days of gaming allowed under the license.
- ❖ A charity game or numeral game (under Article 1) could be conducted at the event. The Bureau of the Lottery would have sole enforcement and supervision authority over the conduct of a charity game or numeral game.
- ❖ Gaming would be restricted to within the demarcated area approved by the executive director and access to the demarcated area would have to be controlled. A licensee could not allow access by an individual less than 18 years of age to a demarcated area when gaming is being conducted. If alcohol is served at an event, any individual in the demarcation area 18 years or older but less than 21 years old would have to be identified by wearing a mark indicating that a member or agent of the licensee has verified the individual's age and identification.
- ❖ Only wagering on a game of chance conducted in the demarcated area would be allowed. A licensee could not allow wagers to be placed on an athletic event or a game involving personal skill.
- ❖ A licensee could only conduct an event with equipment that it owns, rents from another qualified organization under an approved rental agreement, or purchases or rents from a supplier.
- ❖ At least two bona fide members of the millionaire party licensee, not including any bona fide member acting as a dealer, must be present at all times during an event. If fewer than two bona fide members are present at any time during an event, the licensee must immediately report this to the executive director. The executive director may require the licensee to stop conducting the event.
- ❖ A bona fide member of a millionaire party licensee present at the event must wear a vest, button, or other distinctive apparel that identifies that individual as a member of the licensee, and as not being an employee or agent of the location owner, lessor, or supplier.
- ❖ Unless permitted by this act, a rule promulgated under Article 2, or written authorization of the executive director, only a bona fide member of the millionaire party licensee could perform any of the following duties at an event conducted under the license:
  - Monitor a game or verify that the game is conducted in conformance with the rules of the game.
  - Verify the age of a player.

### Duties and prohibitions regarding bona fide members of a qualified organization

- ❖ "Bona fide member" would be defined by the bill as a member who participates in the qualified organization to further its lawful purposes as well as the spouse of such a member. "Lawful purpose" would mean a purpose that would qualify an organization to be exempt from taxation under Section 501(c) of the Internal Revenue Code.
- ❖ One of the bona fide members listed on the application for the millionaire party license must act as the millionaire party chairperson. An individual could not serve as chairperson of millionaire parties conducted by more than one qualified organization during a calendar year.
- ❖ A bona fide member of a millionaire party licensee would be prohibited from the following:
  - Playing a game at an event at which the member is working or assisting.
  - Sharing in a prize awarded at an event at which the member is working or assisting.
  - Purchasing, playing, or accepting a charity game ticket or numeral game ticket offered for sale by the licensee at an event at which the member is working or assisting.
  - Splitting a prize with a player or accept a tip of any kind at an event conducted under the license, unless the tip is a cash tip given to the member for serving as a dealer at the event.

### Dealers

"Dealer" is defined in the bill to mean an individual who, in a millionaire party game, performs the act of dealing, assists in supervising the dealers, and/or provides technical advice to the millionaire party chairperson.

Under the bill, a millionaire party licensee can only use a bona fide member and/or an employee of a supplier as a dealer at an event. Only an individual listed as a dealer on the application for a millionaire party license could act as a dealer at an event conducted under that license. A licensee must also ensure that the dealers at an event conducted under the license comply with Article 2, rules promulgated under Article 2, and any directives of the executive director. Further, an individual would be prohibited from acting as a dealer if that individual has been convicted of, forfeited bond on a charge of, or pled guilty to, any of the following offenses:

- ❖ A felony.
- ❖ A gambling offense.
- ❖ Criminal fraud.
- ❖ Forgery.
- ❖ Larceny.
- ❖ Filing a false report with a governmental agency.

### Locations for event

- ❖ A millionaire party licensee could not enter into an agreement with a location owner or lessor unless the agreement is expressed in a written rental agreement approved by the executive director. "Location owner" would be defined to mean the person



that owns a location or an employee or agent of that person and "lessor" would mean a person who rents a location to a millionaire party licensee for the purpose of conducting an event.

- ❖ No more than two events (licensed millionaire parties) could be conducted at a location on the same day and no more than four events could be conducted at a location in a week. "Location" is defined in Article 1.
- ❖ A location owner or lessor, a partner, member, director, officer, agent, or employee of a location owner or lessor, a shareholder of a privately held corporation that is a location owner or lessor, or a person residing in the same household as any of these, would be prohibited from doing any of the following:
  - Being an officer of a qualified organization conducting a millionaire party at the location.
  - Participating as a player in any event being conducted at the location.
  - Participating in any aspect of an event being conducted at the location, including providing dealers, equipment, or workers, unless all of the following conditions exist:
    - The location is owned or rented by a qualified organization and used by the qualified organization on a continual basis for the regular use of its members.
    - The qualified organization is the licensee and is conducting the event.
    - The executive director has granted a waiver for the participation.
- ❖ A licensee and a location owner or lessee would be required to allow an authorized representative of the executive director, the state police, or a peace officer of a political subdivision in which the event is being conducted, to inspect the location, or an intended location, during business hours.

#### Expenses

- ❖ A licensee could not expend more than 45% of the gross profit from an event to pay expenses incurred in connection with the event.
- ❖ A millionaire party licensee would be prohibited from paying an expense related to an event *unless all of the following apply*:
  - The expense is incurred in connection with the conduct of the event.
  - The expense is necessary and reasonable and falls into one of the following categories:
    - The purchase or rental of equipment necessary for conducting the event *and* payment of services reasonably necessary for the repair of equipment.
    - Cash prizes or the purchase of prizes of merchandise.
    - Rental of the location at which the event is conducted, capped at \$1,000 for each event.
    - Janitorial services.
    - The fee required for issuance or reissuance of a license to conduct the event.
    - Other reasonable expenses incurred by the licensee, not inconsistent with this act, as permitted by rule promulgated under Article 2.

- The expense is itemized.
- The expense is approved by the executive director in writing prior to the event.

### Compensation

- ❖ A millionaire party licensee could not accept any compensation in connection with an event unless the compensation is expressly authorized by Article 2 or a rule promulgated under Article 2.
- ❖ A person could not accept any commission, salary, pay, profit, or wage for participating in the management or operation of a millionaire party, except as allowed under a rule promulgated under Article 2.

### Financial Reporting

- ❖ A millionaire party licensee would be required to keep a record of each event as required by the executive director, and would have to allow an authorized representative of the executive director to inspect—during reasonable business hours—those records and all financial accounts into which proceeds from the event are deposited or transferred.
- ❖ A licensee would also have to file a financial statement signed by the principal officer of the qualified organization with the executive director. The financial statement would have to contain a disclosure of receipts and expenses related to the conduct of each event as required by rule promulgated under Article 2, as well as a list of the qualified members of the millionaire party licensee who were present as to each event.
- ❖ If the revenue from a millionaire party is represented to be used or applied by a licensee for a charitable purpose, the licensee must also file a copy of the financial statement with the attorney general under the Supervision of Trustees for Charitable Purposes Act.

### Supplier license

An applicant for a license or renewal of a license to operate as a supplier to millionaire party licensees would have to submit a written application, along with the annual license fee of \$300, to the executive director on a form prescribed by the executive director. A supplier's license expires at midnight on September 30 of each year.

If an applicant wishes to provide dealers to millionaire party licensees, the person must also include with its application a list containing the name of each individual who will work for the supplier as a dealer at millionaire parties and, as to each individual, whether the individual has been convicted of, forfeited bond on a charge of, or pled guilty to any of the following:

- ❖ A felony.
- ❖ A gambling offense.
- ❖ Criminal fraud.
- ❖ Forgery.
- ❖ Larceny.
- ❖ Filing a false report with a governmental agency.

After the application is submitted, or after the supplier's license is issued, if there are any changes in the individuals who will work for the supplier as dealers at millionaire parties, the applicant or supplier would have to immediately provide an updated list containing all of the required information.

As required by the executive director, a licensed supplier also would have to submit reports regarding the supplier's activities under Article 2.

#### Advertising

A licensee could advertise an event if the advertising complied with rules promulgated under Article 2 and if the advertisement stated the purposes for which the proceeds from the event will be used. "Advertising" is defined under the act as all printed matter, handouts, flyers, radio or television broadcasts, signs, billboards, and other media used to promote an event.

#### Enforcement of Article 2

The executive director of the Michigan Gaming Control Board would be responsible for the enforcement and supervision of the administration of Article 2 and would have to employ personnel as necessary to implement this article. The executive director could select fraternal organizations that conduct millionaire parties and that are not a branch, lodge, or chapter of a national or state organization to audit to ensure that the organizations are in compliance with this act.

If a licensee or an officer, director, agent, member, or employee of the licensee violates Article 2 or a rule promulgated under it, the executive director may deny, suspend, summarily suspend, or revoke any license issued under Article 2. The executive director may summarily suspend a license for a period of not more than 60 days pending prosecution, investigation, or public hearing. A proceeding to suspend or revoke a license is a contested case and must be conducted in accordance with the Administrative Procedures Act of 1969 (PA 306 of 1969).

On petition of the executive director, the circuit court may, after a hearing, issue subpoenas to compel the attendance of witnesses and the production of documents, papers, books, records, and other evidence before it in a matter over which the executive director has jurisdiction, control, or supervision under Article 2. If a person subpoenaed to attend any such proceeding or hearing fails to obey the command of the subpoena without reasonable cause, or if a person in attendance in any such proceeding or hearing refuses, without lawful cause, to be examined or to answer a legal or pertinent question or to exhibit a book, account, record, or other document when ordered to do so by the court, the person may be punished as being in contempt of the court.

The executive director would be required to annually report to the governor and the legislature about the operation of events licensed under Article 2, abuses the executive director may have encountered, and recommendations for changes to the act.

(Section 17 of the act, which will be part of Article 1 and which is not being amended by the legislation, specifies that a willful violation of the act is a misdemeanor punishable by a fine of not more than \$1,000 and/or imprisonment for not more than six months. In addition, provisions within the Michigan Penal Code and the Michigan Gaming Control and Revenue Act also provide criminal penalties for unregulated gambling. Certain conduct may also fall under other criminal statutes; e.g., a person who steals funds from a charity conducting a millionaire party could be prosecuted for larceny by false pretenses.)

### ***FISCAL INFORMATION:***

The bills would increase administrative, regulatory, and audit costs for the Michigan Gaming Control Board (MGCB) as the entity charged with oversight of the millionaire parties. The magnitude of the increased costs is unknown, but likely minimal compared to current costs. Under the provisions of the bill, the Executive Director of the MGCB would be required to promulgate new rules and increase oversight of millionaire parties. These additional costs would be offset by the collection of licensing fees for millionaire parties and suppliers and charity game ticket sales (deposited in the State Lottery Fund).

Current statute limits necessary expenses to the total revenues received from the sale of charity game tickets and all fees collected. Any revenues from charity ticket sales and licensing fees remaining at the close of the fiscal year after covering necessary expenses shall be deposited in the General Fund. In connection, the annual appropriation act includes boilerplate authorizing up to \$4.0 million to cover MGCB's necessary expenses associated with licensing and regulation of millionaire parties. According to the Lottery annual report, MGCB necessary expenses in FY 2015-16 for the licensing and regulation of millionaire parties totaled approximately \$2.6 million.

### ***ARGUMENTS:***

#### ***For:***

As noted earlier (in the *Apparent Problem* section), supporters of charities say they have seen their revenue potential greatly curtailed by some of the administrative rules promulgated by the Michigan Gaming Control Board after that agency took over regulation of millionaire parties. Many charities contend that some of the rules, and the manner of enforcement, are draconian and have made it difficult for many charities, whose fundraising efforts are typically run by volunteers, to comply and/or to make enough profits to enable their fund-raising efforts to support their valuable community projects.

The bills address this issue by codifying those rules most supportive of charities and their ability to raise funds to help their communities, decreasing the number of members who must be present at a millionaire party event (and allowing the spouse of a member to count as one of those), and increasing the daily wagering limit by \$5,000. These changes, along with planned updates to software technology by the MGCB that will enable better communication with charities, address many of the concerns of the nonprofits and should preserve this important fundraising tool while providing for appropriate regulation to protect the public interest.

***Response:***

Though House Bill 4081 makes it clear that a spouse of a member will count as a member for meeting the requirement of having at least two members of the sponsoring charity onsite at all times the millionaire party is being conducted, it isn't clear if a member of an auxiliary would also count as one of the required members.

***Against:***

Representatives of the Michigan Gaming Control Board and the Department of State Police have expressed concerns that the bills in their current forms do not provide additional criminal, civil, or administrative penalties for violations. This limits the types of available remedies, as well as the kinds of violations that the MGCB could go after. Administrative action is limited to issuing license sanctions and a temporary ban on a sanctioned applicant from applying for a new license. Further, House Bill 4081 limits the MGCB's control over who gets millionaire party license. The Board believes the lack of discretion to deny licenses will prevent them from weeding out bad actors—like corrupt location operators who would cheat charities, as well as fraudulent charities (those formed only for the benefit of their own members). Moreover, raising the allowable per day chip sales to \$20,000 (and up to \$80,000 in a one-day event if a charity uses its own building, equipment, and members as dealers) without requiring certain security measures to be put in place invites robberies with that much money on the tables.

Some concern was also expressed that House Bill 4081 may blur the lines between suppliers and licensees. If that happens, any supplier or location operator could affiliate and create a nonprofit for their own benefit. If the MGCB's authority to weed out criminal activity and bad actors is diminished, then law enforcement needs higher penalties to go after those who would defraud charities and the public.

Thus, as written, the bills may hinder the ability of the MGCB and law enforcement to protect charities in their efforts to raise funds for community projects through millionaire parties and instead increase the chance of criminal activity.

***POSITIONS:***

Testimony in support of the bills was provided by the following entities:

The Grand Ledge Lions Club (3-22-17)  
The Knights of Columbus Council No. 10006 (3-22-17)  
The Laingsburg Lions and the Wolfpack Sports Boosters (3-22-17)  
St. Mary's High School (3-22-17)  
The Veterans of Foreign Wars (3-29-17)

The following entities indicated support for the bills:

The Michigan United Conservation Clubs (3-29-17)  
The Michigan Catholic Conference. (3-22-17)  
The Michigan Charitable Gaming Commission (3-22-17)  
The American Legion (3-22-17)

The Lansing Kiwanis (3-22-17)  
The Kiwanis Club of Haslett (3-22-17)

Representatives of the Michigan Gaming and Control Board testified in opposition to the bills. (3-22-17)

Representatives of the Department of State Police expressed concerns regarding the bills, but the department has not taken a position on the bills. (3-29-17)

Legislative Analyst: Susan Stutzky  
Fiscal Analyst: Ben Gielczyk

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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.