

**Michigan Office of Administrative Hearings and Rules**

**Administrative Rules Division (ARD)**

MOAHR-Rules@michigan.gov

**REGULATORY IMPACT STATEMENT  
and COST-BENEFIT ANALYSIS (RIS)**

**Agency Information:**

**Department name:**

Treasury

**Bureau name:**

Michigan Gaming Control Board

**Name of person filling out RIS:**

Wendy Harns

**Phone number of person filling out RIS:**

517-335-2163

**E-mail of person filling out RIS:**

harnsw@michigan.gov

**Rule Set Information:**

**ARD assigned rule set number:**

2022-31 TY

**Title of proposed rule set:**

Millionaire Parties

**Comparison of Rule(s) to Federal/State/Association Standard**

**1. Compare the proposed rules to parallel federal rules or standards set by a state or national licensing agency or accreditation association, if any exist.**

There are no parallel federal rules or standards set by a state or national licensing agency or accreditation association for millionaire parties.

**A. Are these rules required by state law or federal mandate?**

These rules are authorized under § 49(2) of the Traxler-McCauley-Law-Bowman Bingo Act, MCL 432.149, which says that the “executive director may promulgate rules pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328, to implement this article.” MCL 432.149(2).

**B. If these rules exceed a federal standard, please identify the federal standard or citation, describe why it is necessary that the proposed rules exceed the federal standard or law, and specify the costs and benefits arising out of the deviation.**

There are no applicable federal standards.

**2. Compare the proposed rules to standards in similarly situated states, based on geographic location, topography, natural resources, commonalities, or economic similarities.**

The proposed changes to the rules will eliminate the duplicity and conflict between the Bingo Act and the rules. In general, the rules are consistent with similarly situated states.

In Ohio, qualifying charitable organizations may conduct games of chance only at festivals of the charitable organization and for not more than a total of five days in a calendar year. A location to be leased is limited to a location owned by a veteran's or fraternal organization for a rental rate not to exceed the lesser of 45% of the gross receipts of the games of chance or \$600 per day of the festival. No person may receive any commission, wage, salary, reward, tip, donation, gratuity, or other form of compensation, directly or indirectly, for operating or assisting in the operation of any game of chance. Expenses incurred in the conduct of the games of chance, such as rent for the premises, purchase or lease of equipment or supplies necessary for the conduct of the games of chance, or advertising, may be paid only from a source of funds other than the money or assets received from the games of chance, and only to the extent that the amount paid is not more than is customary and reasonable for the goods or services provided.

Illinois licensees are permitted to file an application to host up to four days of charitable games each year. Charitable game events may be held at any one location, limited to one charitable game event per month. A participant may redeem chips for currency not to exceed \$250 or for unlimited noncash prizes. No person may receive any remuneration or compensation either directly or indirectly from any source for participating in the management or operation of the game.

Indiana's casino game night license is for up to six days per year. Not more than one qualified organization may conduct an allowable event on the same day at the same location. An amount not to exceed two hundred dollars (\$200) per day for rent paid for facilities leased for an allowable event. If a facility or location is leased for an allowable event, the rent may not be based in whole or in part on the revenue generated from the event.

**A. If the rules exceed standards in those states, please explain why and specify the costs and benefits arising out of the deviation.**

The proposed rule changes do not exceed standards in similarly situated states.

**3. Identify any laws, rules, and other legal requirements that may duplicate, overlap, or conflict with the proposed rules.**

When the Legislature amended the Bingo Act in December 2019 and codified parts of the rules into the statute, it created duplicity and conflict with the rules. The proposed changes to the rules will eliminate the duplicity and conflict between the Bingo Act and the rules.

**A. Explain how the rules have been coordinated, to the extent practicable, with other federal, state, and local laws applicable to the same activity or subject matter. This section should include a discussion of the efforts undertaken by the agency to avoid or minimize duplication.**

The proposed changes to the rules have been coordinated with the Bingo Act to remove or amend sections of the rules that duplicate, overlap, or conflict with the Bingo Act.

**4. If MCL 24.232(8) applies and the proposed rules are more stringent than the applicable federally mandated standard, provide a statement of specific facts that establish the clear and convincing need to adopt the more stringent rules.**

MCL 24.232(8) does not apply to the proposed changes to the rules.

**5. If MCL 24.232(9) applies and the proposed rules are more stringent than the applicable federal standard, provide either the Michigan statute that specifically authorizes the more stringent rules OR a statement of the specific facts that establish the clear and convincing need to adopt the more stringent rules.**

MCL 24.232(9) does not apply to the proposed changes to the rules.

## **Purpose and Objectives of the Rule(s)**

**6. Identify the behavior and frequency of behavior that the proposed rules are designed to alter.**

The proposed changes to the rules are not designed to change a behavior or frequency of behavior, but are being offered to remove or amend sections of the rules that duplicate, overlap, or conflict with the Bingo Act.

**A. Estimate the change in the frequency of the targeted behavior expected from the proposed rules.**

There is no expected change in frequency of the targeted behavior.

**B. Describe the difference between current behavior/practice and desired behavior/practice.**

There is no difference between the current behavior and the desired behavior.

**C. What is the desired outcome?**

The desired outcome of the proposed changes to the rules is to remove or amend sections of the rules that duplicate, overlap, or conflict with the Bingo Act thereby providing a regulatory framework governing millionaire parties for applicants and licensees to understand their responsibilities.

**7. Identify the harm resulting from the behavior that the proposed rules are designed to alter and the likelihood that the harm will occur in the absence of the rule.**

Although the proposed changes to the rules are not designed to change a behavior, some changes provide increased clarity and certainty in the regulation of millionaire parties by:

- (1) Rescinding or amending rules that were largely codified by the 2019 amendments to the Bingo Act.
- (2) Rescinding a rule that is redundant with another rule.
- (3) Amending rules to remove incorrect citations or references to the Bingo Act
- (4) Amending rules to improve the clarity and consistency of these rules with the Bingo Act and with how the Bingo Act and rules are administered by the Executive Director.
- (5) Amending rules to reorder certain provisions for better organization of the rules.
- (6) Amending rules because a portion of the rule is no longer consistent with the Bingo Act.

**A. What is the rationale for changing the rules instead of leaving them as currently written?**

The rationale for changing the rules instead of leaving them as currently written is that some of the current rules are duplicative, overlap, or conflict with the Bingo Act. If the rules are not amended, it will be more difficult for licensees to understand and comply with, and more difficult to regulate millionaire parties in the state.

**8. Describe how the proposed rules protect the health, safety, and welfare of Michigan citizens while promoting a regulatory environment in Michigan that is the least burdensome alternative for those required to comply.**

The proposed changes to the rules protect the health, safety, and welfare of Michigan citizens by promoting a regulatory environment that is the least burdensome for those required to comply. It is less burdensome to have rules that do not conflict with the Bingo Act such as R 432.309(8) which currently states no more than \$15,000 of imitation money or chips can be in a demarcated area, when in fact, the Bingo Act permits \$20,000 and maybe more depending on the circumstances. MCL 432.141(7). By amending the rules so as to remove duplicative, overlapping, and conflicting rules, it will create a less burdensome regulatory environment.

**9. Describe any rules in the affected rule set that are obsolete or unnecessary and can be rescinded.**

Rules 432.102, 432.202, and 432.301 are obsolete or unnecessary and will be rescinded from the rule set.

**Fiscal Impact on the Agency**

Fiscal impact is an increase or decrease in expenditures from the current level of expenditures, i.e. hiring additional staff, higher contract costs, programming costs, changes in reimbursements rates, etc. over and above what is currently expended for that function. It does not include more intangible costs for benefits, such as opportunity costs, the value of time saved or lost, etc., unless those issues result in a measurable impact on expenditures.

**10. Please provide the fiscal impact on the agency (an estimate of the cost of rule imposition or potential savings for the agency promulgating the rule).**

There is no anticipated fiscal impact on the Executive Director of the Michigan Gaming Control Board. To the extent there are any fiscal impacts, according to MCL 432.108(3), all necessary expenses incurred by the Executive Director or Michigan Gaming Control Board in the administrative and enforcement of millionaire party activity authorized by the Bingo Act is financed from the Internet Gaming Fund created under section 16 of the Lawful Internet Gaming Act, 2019 PA 152, MCL 432.316. All fees and revenue collected by the Executive Director or Michigan Gaming Control Board will be paid into the State Lottery Fund pursuant to MCL 432.108(2).

**11. Describe whether or not an agency appropriation has been made or a funding source provided for any expenditures associated with the proposed rules.**

Section 41 of the McCauley Traxler Law Bowman McNeely Lottery Act creates the state lottery fund in the state treasury. MCL 432.41. All fees and revenue collected by the executive director under the Bingo Act are deposited into the state lottery fund. See MCL 432.108(2). Upon appropriations, the Executive Director can expend money from this fund to cover the costs of regulating and enforcing the Bingo Act. MCL 432.108(2).

**12. Describe how the proposed rules are necessary and suitable to accomplish their purpose, in relationship to the burden(s) the rules place on individuals. Burdens may include fiscal or administrative burdens, or duplicative acts.**

The proposed changes to the rules are necessary and suitable to clarify the regulatory framework governing millionaire parties by removing requirements from the rules that were codified into the Bingo Act in 2019. The proposed changes to the rules do not impose any new fiscal, administrative or duplicative burdens on individuals.

**A. Despite the identified burden(s), identify how the requirements in the rules are still needed and reasonable compared to the burdens.**

The proposed changes to the rules do not impose any new fiscal, administrative, or duplicative burdens on individuals. The remaining rules are necessary to regulate millionaire parties, a form of gaming, in Michigan.

### **Impact on Other State or Local Governmental Units**

**13. Estimate any increase or decrease in revenues to other state or local governmental units (i.e. cities, counties, school districts) as a result of the rule. Estimate the cost increases or reductions for other state or local governmental units (i.e. cities, counties, school districts) as a result of the rule. Include the cost of equipment, supplies, labor, and increased administrative costs in both the initial imposition of the rule and any ongoing monitoring.**

There are no anticipated cost or revenue changes to other state or local governmental units because of the proposed rule changes.

**14. Discuss any program, service, duty, or responsibility imposed upon any city, county, town, village, or school district by the rules.**

The proposed changes to the rules do not impose any new programs, services, duties, or responsibilities on any city, county, township, village, or school district. While school districts apply to be a qualified organization thereby subjecting them to the millionaire party rules, their responsibilities as a licensee are the same as other qualified organizations conducting millionaire parties.

**A. Describe any actions that governmental units must take to be in compliance with the rules. This section should include items such as record keeping and reporting requirements or changing operational practices.**

As noted above, the rules do not impose any new programs, services, duties, or responsibilities on any city, county town, village, or school district. Only those school districts that apply to become a qualified organization are required to meet the following requirements which are the same for any other qualified organization conducting a millionaire party:

- Ensure full accountability for all gaming assets, keeping a record of millionaire party events, and filing complete and accurate financial statements.
- Submit accurate information in the license application and in other documents submitted to the executive director.
- Allow the executive director or an authorized representative to inspect the books, records, etc. related to the millionaire party events.

**15. Describe whether or not an appropriation to state or local governmental units has been made or a funding source provided for any additional expenditures associated with the proposed rules.**

No appropriations have been made to any governmental unit because of these rules. No expenditures are anticipated or intended with the proposed changes to the rules.

### **Rural Impact**

**16. In general, what impact will the rules have on rural areas?**

The Bingo Act defines a “qualified organization” as a “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 5 years or is exempt from taxation under section 501(c) of the internal revenue code of 1985, 26 USC 501(c).” MCL 432.103a(d)(i). Qualified organizations are located throughout the state, including in rural areas. There will be no different impact of the proposed changes to the rules on rural areas as there will be to any other area where millionaire parties are conducted throughout Michigan.

**A. Describe the types of public or private interests in rural areas that will be affected by the rules.**

The proposed changes to the rules have no particular impact on public or private interests in rural areas.

## **Environmental Impact**

**17. Do the proposed rules have any impact on the environment? If yes, please explain.**

The proposed changes to the rules do not have an environmental impact.

## **Small Business Impact Statement**

**18. Describe whether and how the agency considered exempting small businesses from the proposed rules.**

Gaming is a highly regulated industry. The Bingo Act authorizes the conduct of millionaire parties, which are conducted by licensed qualified organizations. Because these qualified organizations are not small businesses, the proposed changes to the rules do not contemplate exemptions. The Bingo Act also requires licensure for businesses that provide qualified organizations with goods and services related to millionaire parties. To the extent that small businesses participate in public gaming, the small businesses must comply with all laws to ensure public safety and the integrity of gaming.

**19. If small businesses are not exempt, describe (a) the manner in which the agency reduced the economic impact of the proposed rules on small businesses, including a detailed recitation of the efforts of the agency to comply with the mandate to reduce the disproportionate impact of the rules upon small businesses as described below (in accordance with MCL 24.240(1)(a-d)), or (b) the reasons such a reduction was not lawful or feasible.**

Because gaming is a highly regulated industry, and because suppliers must be licensed, it is not possible to specifically exempt small businesses from the licensing and other requirements of the proposed changes to the rules because it would create a disparity in regulation.

To the extent the proposed changes to the rules deal with licensed millionaire party suppliers, which meet the definition of small business, the proposed changes to the rules do not impose any new responsibilities, duties, or requirements on them.

**A. Identify and estimate the number of small businesses affected by the proposed rules and the probable effect on small businesses.**

There are currently 23 licensed millionaire party suppliers. There is no probable effect on these businesses because the proposed changes to the rules do not impose any new responsibilities, duties, or requirements on them.

**B. Describe how the agency established differing compliance or reporting requirements or timetables for small businesses under the rules after projecting the required reporting, record-keeping, and other administrative costs.**

The proposed changes to the rules do not establish separate compliance or reporting requirements for small businesses. To the extent practicable, the rules were drafted to be the least burdensome on all impacted persons.

**C. Describe how the agency consolidated or simplified the compliance and reporting requirements for small businesses and identify the skills necessary to comply with the reporting requirements.**

The proposed changes to the rules do not consolidate or simplify compliance or reporting requirements for small businesses.

**D. Describe how the agency established performance standards to replace design or operation standards required by the proposed rules.**

The proposed changes to the rules do not establish performance standards.

**20. Identify any disproportionate impact the proposed rules may have on small businesses because of their size or geographic location.**

The proposed changes to the rules do not have a disproportionate impact on small businesses because of their size or geographical location.

**21. Identify the nature of any report and the estimated cost of its preparation by small businesses required to comply with the proposed rules.**

The proposed changes to the rules do not add any additional reporting requirements; thus, there is no estimated additional costs for a small business to prepare such a report.

**22. Analyze the costs of compliance for all small businesses affected by the proposed rules, including costs of equipment, supplies, labor, and increased administrative costs.**

There are no costs of compliance for small businesses affected by the proposed changes to the rules.

**23. Identify the nature and estimated cost of any legal, consulting, or accounting services that small businesses would incur in complying with the proposed rules.**

There is no anticipated change to the nature and estimated cost of any legal, consulting, or accounting services that small businesses would incur in complying with the proposed changes to the rules.

**24. Estimate the ability of small businesses to absorb the costs without suffering economic harm and without adversely affecting competition in the marketplace.**

There are no expected costs to small businesses that will cause economic harm or adversely affect competition in the marketplace because of the proposed changes to the rules.

**25. Estimate the cost, if any, to the agency of administering or enforcing a rule that exempts or sets lesser standards for compliance by small businesses.**

There are no rules that exempt or set lesser standards for compliance by small businesses; thus, there is no cost for the Executive Director to administer or enforce such rules.

**26. Identify the impact on the public interest of exempting or setting lesser standards of compliance for small businesses.**

There is a significant public interest in establishing a secure, responsible, fair, and legal system for millionaire parties. To maintain the integrity, security, and fairness of millionaire parties conducted in Michigan, all millionaire party licensees and millionaire party suppliers must be licensed and exempting small businesses or setting lesser standards of compliance is not an option.

**27. Describe whether and how the agency has involved small businesses in the development of the proposed rules.**

No small businesses were involved in the development of the proposed changes to the rules. The Michigan Charitable Gaming Association was solicited to give feedback and that feedback from industry stakeholders was considered in developing the proposed changes to the rules. The Michigan Charitable Gaming Association represents qualified organizations, suppliers, and locations where charitable gaming—including millionaire parties—is conducted.

**A. If small businesses were involved in the development of the rules, please identify the business(es).**

No small businesses were involved in the development of the proposed changes to the rules.

**Cost-Benefit Analysis of Rules (independent of statutory impact)**

**28. Estimate the actual statewide compliance costs of the rule amendments on businesses or groups.**

The compliance costs of the amended rules are expected to be the same as the current compliance costs.

Additionally, revenues generated from millionaire parties exceed the minimal compliance costs.

**A. Identify the businesses or groups who will be directly affected by, bear the cost of, or directly benefit from the proposed rules.**

The businesses and groups who will be directly affected by the proposed changes to the rules are qualified organizations, suppliers, and locations. Qualified organizations are religious, educational, service, senior citizens, fraternal, [or] veterans' organization that operate without profit to its members and that either has been in existence continuously as an organization for a period 5 years or is exempt from taxation under section 501(c) of the internal revenue code of 1985, 26 USC 501(c). MCL 432.103a(d)(i). There are more than 1000 qualified organizations eligible to hold a millionaire party license. There are 23 licensed millionaire party suppliers, and 26 locations where millionaire parties are regularly conducted in Michigan.

**B. What additional costs will be imposed on businesses and other groups as a result of these proposed rules (i.e. new equipment, supplies, labor, accounting, or recordkeeping)? Please identify the types and number of businesses and groups. Be sure to quantify how each entity will be affected.**

The proposed changes to the rules are not expected to impose any additional costs on businesses or other groups.

**29. Estimate the actual statewide compliance costs of the proposed rules on individuals (regulated individuals or the public). Include the costs of education, training, application fees, examination fees, license fees, new equipment, supplies, labor, accounting, or recordkeeping.**

The proposed changes to the rules are not expected to impose any additional compliance costs on regulated individuals or the public.

**A. How many and what category of individuals will be affected by the rules?**

The proposed changes to the rules will affect the following:

-1029 qualified organizations which hold a millionaire party license.

-23 licensed millionaire party suppliers.

-26 locations where millionaire parties are regularly conducted in Michigan.

**B. What qualitative and quantitative impact do the proposed changes in rules have on these individuals?**

The proposed changes to the rules will not have a qualitative or quantitative impact on regulated individuals, other than clarifying the current regulatory framework governing millionaire parties by removing rules and sections of rules that are duplicative, overlap, or conflict with the Bingo Act, which will make it easier for licensees to understand and comply with their responsibilities.

**30. Quantify any cost reductions to businesses, individuals, groups of individuals, or governmental units as a result of the proposed rules.**

There are no cost reductions for businesses, individuals, groups of individuals, or governmental units because of the proposed changes to the rules.

**31. Estimate the primary and direct benefits and any secondary or indirect benefits of the proposed rules. Please provide both quantitative and qualitative information, as well as your assumptions.**

The primary and direct benefits of the proposed changes to the rules are removing rules and sections of rules that are duplicative, overlap, or conflict with the Bingo Act. As a secondary and indirect benefit, the proposed changes to the rules should make it easier for licensees to understand and comply with their responsibilities. The proposed changes to the rules will also promote consistent enforcement of the regulations governing millionaire parties.

**32. Explain how the proposed rules will impact business growth and job creation (or elimination) in Michigan.**

The proposed changes to the rules are not expected to have an impact on business growth or job creation or elimination in Michigan.

**33. Identify any individuals or businesses who will be disproportionately affected by the rules as a result of their industrial sector, segment of the public, business size, or geographic location.**

The proposed changes to the rules apply to qualified organizations and suppliers who hold a license to participate in charitable gaming through the use of millionaire parties. As such, groups or businesses will not be disproportionately affected by the proposed changes to the rules because of their industrial sector, segment of the public, business size, or geographic location.

**34. Identify the sources the agency relied upon in compiling the regulatory impact statement, including the methodology utilized in determining the existence and extent of the impact of the proposed rules and a cost-benefit analysis of the proposed rules.**

The agency relied upon agency staff and its regulatory experience, as well as feedback from the Michigan Charitable Gaming Association to determine the impact of the proposed changes to the rules.

**A. How were estimates made, and what were your assumptions? Include internal and external sources, published reports, information provided by associations or organizations, etc., that demonstrate a need for the proposed rules.**

The agency relied on the agency staff and its regulatory experience to formulate estimates and determine the need for the proposed changes to the rules.

## **Alternative to Regulation**

**35. Identify any reasonable alternatives to the proposed rules that would achieve the same or similar goals.**

No reasonable alternatives to the proposed changes to the rules exist that would achieve the same or similar goals.

**A. Please include any statutory amendments that may be necessary to achieve such alternatives.**

There is no reasonable alternative to the proposed changes to the rules, therefore, no statutory amendment is necessary.

**36. Discuss the feasibility of establishing a regulatory program similar to that proposed in the rules that would operate through private market-based mechanisms. Please include a discussion of private market-based systems utilized by other states.**

No alternative to promulgated administrative rules, including private market-based mechanisms, is feasible to regulate millionaire parties.

The Legislature has found it to be in the best interest of this state and its citizens to regulate this activity by establishing a secure, responsible, fair, and legal system for charitable gaming through millionaire parties and other authorized events such as bingos, raffles, and charity game tickets. The Legislature has charged the Executive Director with supervising millionaire parties and has granted the Executive Director powers and duties to administer, regulate, and enforce millionaire parties in Michigan. The Legislature has also authorized the Executive Director to promulgate rules to implement Article 2 of the Bingo Act. The Executive Director is not aware of any states that use a private market-based system, as opposed to a state regulation, for this purpose.

**37. Discuss all significant alternatives the agency considered during rule development and why they were not incorporated into the rules. This section should include ideas considered both during internal discussions and discussions with stakeholders, affected parties, or advisory groups.**

Millionaire parties are a form of gaming offered by qualified organizations who generally have no gaming experience. There is no substitute to a reasonable regulatory framework that would provide public safety and the integrity to such activity. Therefore, no significant alternatives to reasonable regulation were considered during the development of the proposed changes to the rules.

**Additional Information**

**38. As required by MCL 24.245b(1)(c), please describe any instructions regarding the method of complying with the rules, if applicable.**

The rules explicitly inform persons of most requirements. Other information will be available from the Executive Director of the Michigan Gaming Control Board and his staff.