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## Roads an issue in race for governor

Snyder, Schauer debate best solution

By David Eggert  
Associated Press

STERLING HEIGHTS — When Democratic gubernatorial candidate Mark Schauer took questions during a recent visit to a union hall in suburban Detroit, meat cutter Jim Mesich brought up a long source of frustration for Michigan drivers: Crummy roads.

Why not, he asked Schauer, repeal a business tax cut and put all the money toward improving roads? Better that, he said, than asking “common guys” to pay more at the pump.

Schauer criticized Republican Gov. Rick Snyder for being unable to persuade the GOP-led Legislature to pass a road-funding fix and said Snyder’s “trying to raise taxes on you” through proposed higher gasoline and vehicle registration taxes. But Schauer was less specific in detailing how he as governor would raise the minimum \$1.2 billion more a year that Snyder said is needed to avoid drastic deterioration of roads and bridges.

Schauer favors keeping in place the corporate income tax that Snyder enacted, so that’s off the table as a potential pot of money. He said he would look for savings in state departments to redirect to the transportation budget, lobby Congress to send more federal gasoline tax revenue back to Michigan and ask companies to pay their “fair share” in increased fees on overweight and oversized trucks.

It’s unlikely those moves alone would generate enough money, however, or be seen as a

See **ROADS**, Page 3A



Mark Schauer



Rick Snyder

# HIGH STAKES



GREG DERUITER/LANSING STATE JOURNAL

Doug Sleep of St. Johns, left, and Jerry Luoma of Lansing play Thursday in a charity poker game at Tripper's Bar. For years, charities and suppliers have split millionaire party proceeds 50-50, but the state says charities should get all the profits — minus only “reasonable and necessary” expenses.

## State, charities face off in Texas hold 'em showdown

By Steven R. Reed  
sreed@lsj.com

The agency that regulates Detroit casinos and millionaire parties across Michigan is battling church groups and service clubs — from Knights to Kiwanis — to get them to accept a bigger share of profits from charitable poker.

With \$728 million in play between 2010 and 2013, you might think the charitable groups would jump in.

Most are resisting. Club and church members say they were happy with the financial status quo, including

50-50 profit sharing between charities and their gaming suppliers.

“The service provided by the (host) location and the supplier is very valuable to us,” said Kim Spalsbury, president of the Grand Ledge Lions Club. “The 50 percent split was something we were content with.”

But the Bingo Act says charities are entitled to all of the profits from charitable poker minus only the “reasonable and necessary” expenses for staging the games. It was only this year the Michigan Gaming Control Board began requiring charities to hold suppliers

See **CHARITY GAMES**, Page 7A

### MILLIONAIRE PARTY DEFINED IN STATE LAW

» “**Millionaire party**” means an event at which wagers are placed upon 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.

Lottery .....	2A	Deaths.....	28A, 29A	Sports.....	1C	Life.....	1D
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The dealer deals out cards Thursday in a charity poker game at Tripper's Bar. It was only this year that the state began requiring charities to hold suppliers accountable for expense claims.

# Charity games

Continued from Page 1A

accountable for expense claims.

The affected groups accused the board of “overkill” and sued to block enforcement.

In response, Rick Kalm, the executive director of the gaming board, is threatening to stop licensing charitable poker events that don’t comply with the more restrictive emergency rules he drafted and Gov. Rick Snyder signed in July.

Kalm reminds critics the state had to shut down poker games at 23 locations for various violations and crimes since 2010. Charitable poker, he says, had become “the Wild West.”

Each side says the other doesn’t understand, won’t listen or has a hidden agenda.

They’re scheduled to argue in Michigan’s Court of Claims on Monday.

Meantime, they’ve been betting heavily to influence the court of public opinion.

## Gaming suppliers’ niche

Kalm says charities have deferred to suppliers and host locations for so long — receiving so much for doing so little — they no longer control their own games.

Charities say their fundraising poker games thrive because suppliers handle virtually every detail required for endless hours of Texas hold ’em — dealers, chips, tables, host locations and even the financial accounting the charities provide to the state.

Suppliers conduct criminal background checks on dealers and help make sure cash-laden Lions, Kiwanis, VFW and Knights of Columbus members make it safely from the poker tables to their vehicles when the night’s gaming ends.

Suppliers help with event licensing. They lobby lawmakers and keep their clients informed about changes in rules. They join lawsuits intended to loosen the gaming board’s reins. Two weeks ago, they helped organize a rally on the lawn of the Capitol.

“Most of us, no matter the size of the charity, do not have the resources or the wherewithal or members with sufficient time to do all the logistical things and set up and obtain the materials necessary for us to host our own event,” said Spalsbury, whose Lions Club operates on an annual budget of about \$20,000.

“These are the things suppliers do for us. We don’t have to worry about any of that.”

His perspective is shared by thousands of service club members, including Bob Munson, fundraising chairman of the Kiwanis Club of Okemos, and by Don Carlock, who helps stage charitable games on behalf of Lions and Knights of Columbus in DeWitt.

All three say they’ve spent hundreds of hours working with Aces Gaming Supply of Lansing



GREG DERUITER/LSJ

Cory Willett of Lansing plays poker in a charity poker game at Tripper's Bar in Lansing Township's Frandor Shopping Center. Charities, gaming suppliers and the state will make their cases Monday in the Court of Claims.



GREG DERUITER/LSJ

Bill Chaliman of Haslett checks his cards as he plays last month in a charity poker game at Tripper's Bar in the Frandor Shopping Center.

and in poker rooms at Tripper’s Bar in the Frandor Shopping Center or Ledge Meadows in Grand Ledge.

“It’s a symbiotic relationship,” said Munson. “Even if Aces is getting 2 or 3 or 4 or 10 percent more than their share, I don’t care.”

## Poker vs. candy sales

Carlock endorsed charitable gaming over telemarketing and product sales as the most effective way for service clubs to raise money.

“You’ve seen us selling candy canes and Tootsie Rolls in December, freezing our asses off,” he said. “We cannot do anything that comes close to this in terms of revenue.

“We don’t have overhead or administrative fees. We’re not paying people to make calls on the phone. Every dollar we earn goes ... to somebody for something they need — a heating bill, glasses, leader dogs for the blind.”

If the state shuts down chari-



Dave Murley



Rick Kalm

table poker, Carlock says service club beneficiaries would suffer.

“We do it because if we don’t, who the hell will?” he said. “Government is not going to take care of these people.

“Why for the life of me the Gaming Control Board can’t see that and step back and say, ‘Wait a minute, these guys are not crooks. They’re legitimate. We can’t kill the patient to solve the illness.’”

Spalsbury acknowledged Kalm’s actions to address “the illness.”

That included fake charities, suppliers and host sites that cooked the books and at least one location that staged charity poker games when no charity was present.

“Everybody applauds him for the one thing he’s done well,” Spalsbury said. “He has taken the bad locations or suppliers out of the game — and there were some.

“Every charity representative I’ve spoken with says, ‘Good. Make sure the bad apples are tossed out of the basket, but stop picking on the good apples.’”

As for the carrot at the end of Kalm’s stick, Munson dismisses the prospect of a bigger share of poker proceeds.

“Seventy percent of nothing is not nearly as much as the 50 percent we get now,” he said.

“If they put Aces out of business, we are out of business. Aces couldn’t do it without us and we can’t do it without them. If they hurt, we hurt.”

## Familiar lament

Kalm has heard it all. “That’s like a dope addict,” he said in response to Munson’s remarks. “You become addicted to the revenue flow and the way you’ve done things.

“Change is difficult. When you suck at that trough for so long, when your suppliers and room operators have sort of acted as junket operators ... that’s the issue.”

Kalm and Dave Murley, who moved to the Gaming Control Board as deputy director in June after serving as deputy legal counsel to Snyder, offer a broader perspective.

The issue dates to 1972, when legislators accommodated voter interest in charitable fundraising through games of chance such as bingo, raffles and pull tabs.

Millionaire parties, featuring blackjack and other card games, were added to the Bingo Act in 1976 so that charities could host “Vegas Nights.” In 1999 the act was amended again, raising the total amount of money that could be in play nightly at one organization’s event to \$15,000.

When poker was approved by the Lottery commissioner in 2004, everything changed.

Texas hold ’em “exploded far past Lottery’s ability to regulate it,” Murley said. “All of a sudden everybody wants to get involved” even though state law says the charities must manage their own games.

In hindsight, the state had

created an unregulated, all-cash, casino-style system the Legislature never authorized, Murley said.

The result, he and Kalm are fond of saying, was a 21st century version of “the Wild West.”

## Overhauling the rules

Overwhelmed and understaffed, Lottery waved the white flag in 2012. Snyder used an executive order to transfer regulation of millionaire parties to the executive director of the MGCB — Kalm, who originally was appointed by Gov. Jennifer Granholm and reappointed by Snyder.

With his staff struggling to ensure the integrity of the games, Kalm last year undertook a months-long process to overhaul millionaire party rules. More restrictive rules went into place on May 14.

The gaming board and Michigan Charitable Gaming Association have been battling in court ever since.

A Michigan Court of Claims judge blocked enforcement of the comprehensive overhaul but refused to halt enforcement of the equally restrictive emergency rules Kalm and Snyder rushed into place to fill the regulatory void.

A new lawsuit filed by the gaming association to block enforcement of the emergency rules will be argued on Monday in Detroit’s Court of Claims.

## He said-she said, ad infinitum

Kalm says the gaming board compromised again and again to accommodate legislative concerns and those of the gaming association during the attempt to overhaul the old rules.

That organization’s founder flips Kalm’s assertion on its head. It’s the state that has rebuffed charities at every juncture, said former state Sen. Doug Cruce of Williamston. The gaming board has refused to help develop solutions, he said.

“They just want to stop it (charitable poker),” Cruce said.

No, says Kalm. That’s not his goal at all. But it might happen.

“I’m not here to run anybody out of business,” he said. “In fact, I’m here trying to expand the opportunities for other businesses, bars, locations, bowling alleys ...

“We think we should be allowing this to happen wherever the charities want it to happen, not where poker rooms have dictated it happen.

“But, if you want to engage in this kind of gaming and you’re a charity, you’ve got to understand this type of gaming comes with much more risk than the others.

“I’m just not going to tolerate illegal behavior. And I’m not going to tolerate people using the charities for subversive means to pad their own pockets.

“If you don’t understand gaming and if you’re afraid of it and you’re going to lean on this operator (supplier) to do everything for you, then you shouldn’t be doing it. ...

“Sell a raffle ticket.”