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April 30, 2026

CERTIFIED MAIL

Christopher Kirkpatrick, Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

Re: Prediction Markets, RIN 3038-AF65

Dear Secretary Kirkpatrick,

The City of Detroit ("City" or "Detroit") respectfully submits this comment in response to the Commodity Futures Trading Commission's ("Commission" or "CFTC") Advance Notice of Proposed Rulemaking ("ANPRM") regarding Prediction Markets, 91 Fed. Reg. 12516 (March 16, 2026) within the scope of the Commodity Exchange Act ("CEA").

The City appreciates the opportunity to provide the Commission with the perspective of a major American city whose fiscal stability, public services, and residents are directly and materially affected by the regulatory questions this ANPRM presents.

Detroit is home to Michigan's three state-licensed non-tribal casinos: MGM Grand Detroit, Hollywood Casino at Greektown, and Motor City Casino (the "Detroit Casinos"). The City's longstanding partnerships with the Detroit Casinos have created thousands of jobs, local business growth, tourism revenue, minority supplier participation, and have resulted in hundreds of millions of dollars in wagering, income, and property taxes and development fees paid into the City's general fund for the past 26 years.

The City estimates it will receive $329.9 million in casino taxes and fees in Fiscal Year 2026 ("FY26"), which represents nearly one-third of the recurring tax revenue the City depends on to support its general fund. These revenues fund everything from street patrol officers and emergency medical services to neighborhood economic development, anti-gang and youth development programs, street lighting, road improvements, and capital projects.

Prediction market companies put all of this at risk. They offer de facto sports betting via event contracts, but they do not pay any state or local gaming taxes. They do not offer state-mandated responsible gaming tools. They accept bets from anyone in Michigan over the age of 18, despite state law setting the minimum age to gamble at 21. The offerings of prediction market companies match what consumers can find in state-regulated sportsbooks, and there is no reason to believe the prediction markets will not continue to expand into other areas of gaming if not limited.

The City of Detroit respectfully urges the Commission to take the following actions in any rulemaking that follows this ANPRM:

> **First**, the Commission should exercise its authority under CEA Section 5c(c)(5)(C) to reaffirm that sports event contracts involve "gaming" and are contrary to the public interest. This should include, but not be limited to, contracts on the outcomes of professional and collegiate sporting events, point spreads, over/unders, and prop bets. The Commission should also include parlay bets, which some prediction market companies have branded "combos."
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> **Second**, the Commission should reaffirm that sports event contracts offered without compliance with applicable state gaming laws involve "activity that is unlawful under...State law" and are contrary to the public interest on that independent ground.
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> **Third**, in conducting its cost-benefit analysis under CEA Section 15(a), the Commission should account for the fiscal impact on state and local governments as a material cost of permitting prediction markets to offer de facto sports bets via event contracts. This includes lost gaming tax revenue and the downstream impact on public services.

The Commission's regulatory choices will determine whether prediction market platforms can continue to siphon revenue from state-licensed and state-regulated operators while avoiding the tax obligations, consumer protections, and responsible gaming requirements that are required of lawful operators.

Detroit's current stable economy will be derailed if prediction market companies are allowed to continue operating as unlicensed internet sports betting operators in Michigan. To inform the Commission's decision-making, I have included the following additional information:

- a summary of Detroit's wagering tax and fees revenue;
- an overview of how prediction markets have already jeopardized Detroit's tax revenue from licensed internet sports betting;
- an overview of how a loss of funding for Detroit's essential public services would have a severe and lasting impact; and
- information on how prediction market companies avoid the consumer protection rules of Michigan's regulatory framework, which puts Detroit residents at risk.

I. A summary of the City's wagering tax and fees revenue.

The City of Detroit has been home to Michigan's three non-tribal, land-based state-licensed casinos since 2000. The casino complexes have been developed into entertainment resorts that welcome millions of visitors a year, providing thousands of jobs for Michigan residents, business opportunities for local suppliers, and spill-off tourism revenue to local businesses. In calendar year 2025, the Detroit Casinos' combined adjusted gross receipts ("AGR") for retail and online gaming and sports wagering totaled $3,139,456,715. The City estimates it will receive $329.9 million in casino taxes and fees in FY26 (ending June 30, 2026), which represents nearly one-third of the recurring tax revenue the City depends on to support its general fund.

In accordance with the *Michigan Gaming Control and Revenue Act* and associated development agreements, the Detroit casinos pay a tax on AGR of 10.9%, plus 1% on all on-site gaming types. They also pay the City a supplemental 1% tax if adjusted gross receipts exceed $400 million in a calendar year. Sports betting conducted on-site at the Detroit casinos is taxed at a rate of 8.4% on AGR. The City receives 55% of this tax revenue. The City assesses a municipal service fee from the Detroit Casinos of 1.25% of total AGR over $4 million.

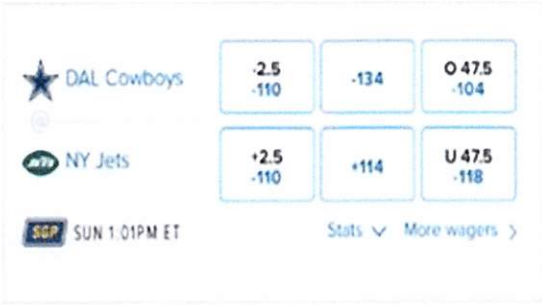
Internet gaming conducted by the Detroit Casinos is taxed at a graduated rate ranging from 20% to 28% based on the AGR each month. AGR exceeding $12 million are taxed at 28%. The City receives 30% of this tax revenue. Internet sports betting conducted by the Detroit Casinos is taxed at a rate of 8.4% on their AGR in accordance with the *Michigan Lawful Sports Betting Act*. The City receives 30% of this tax revenue. Internet gaming and sports betting conducted by the Detroit casinos are also subject to the existing development agreement taxes (up to 2% of AGR) and municipal service fees (1.25% of AGR) that apply to on-site gaming and sports betting.

The City's revenue from its partnerships with the Detroit Casinos is so critical that state law includes a fail-safe provision. The Legislature recognized when passing the *Lawful Internet Gaming Act* and the *Lawful Sports Betting Act* that Detroit's brick-and-mortar casinos may see a reduction from the shift to internet gaming. Thus, the *Lawful Internet Gaming Act* provides that if the combined retail and online wagering taxes and development agreement fees paid to the City fall below $183 million in a given year, the Michigan Gaming Control Board ("MGCB") will distribute an amount equal to the difference between $183 million and the combined amount of money the City received in the previous fiscal year. However, the total amount that the City can receive is limited to 55% of the total tax the State receives for internet gaming. As a result, the City's safety net is completely tied to online gaming.

Prediction market companies do not pay any state gaming taxes in Michigan. As their popularity grows and their gaming offerings expand, the City's wagering tax and fee revenue are increasingly jeopardized.

II. Prediction markets have already jeopardized the City's tax revenue from licensed internet sports betting.

The sports event contract offerings from prediction markets and sports bets from regulated online sports betting operators are indistinguishable. The offering on the left is from a company that is state-licensed, regulated, and pays taxes. The one on the right is not, but continues to operate in Michigan because it claims to be regulated by the CFTC:





At its February 2026 revenue conference, the City estimated that internet gaming and sports betting taxes will surpass retail taxes for the first time in this current fiscal year and that online wagering tax revenue will continue to increase.

However, this estimate does not tell the whole story. The most recent numbers reported by the Michigan Gaming Control Board reflect the bite prediction market operators like Plaintiff have already taken from properly licensed online sportsbooks revenue since it burrowed into Michigan's market. From October through December 2025, the City of Detroit received around $2,546, 677 in tax revenue from the Detroit Casinos for internet sports betting. From January through March 2026, the internet sports betting tax revenue the City received decreased by ***47%*** to $1,363,150. Correspondingly, in 2025 Q4, the Detroit Casinos' combined AGR for licensed online sports betting was $101,058,631, while their total AGR for 2026 Q1 decreased to $54,093.256 in the months that include the Superbowl and March Madness. In contrast, more than a billion dollars was traded on just one event contract for the 2026 Super Bowl listed by one prediction market company, Kalshi. Indeed, sports betting contracts account for over 90% of the activity on this company's platform.

The unlawful intrusion into Michigan's sports betting space by prediction market companies is already reducing the taxes and fees the City receives. These companies pay nothing to the State or the City, and their aggressive expansion into state-licensed markets shows no signs of slowing. Looking forward, if the CFTC continues to allow gaming via event contracts, it would not be rational for any gaming entity in Michigan to operate under the state-regulated model given the different tax treatment between the two approaches. This will further impair the City's tax revenue base.

III. Loss of funding for the City's essential public services would have a severe and lasting impact.

The City's wagering tax revenue from the gaming and sports betting activities of Detroit Casinos may be used for a broad spectrum of public services, including the hiring, training and deployment of street patrol officers; neighborhood and downtown economic development programs designed to create local jobs; public safety programs such as emergency medical services, fire department programs, and street lighting; anti-gang and youth development programs; other programs that are designed to contribute to the improvement of the quality of life in the City; relief to the taxpayers of the City from one or more taxes or fees imposed by the City; the costs of capital improvements;

and road repairs and improvements. The municipal service fee of 1.25% of AGR may be used to assist the City with "defraying the costs of hosting casinos."

In the past 26 years, Detroit Casino wagering taxes and development fees have created a solid foundation of recurring revenue that is essential for the City's continued prosperity and tremendous growth, 13 years after declaring bankruptcy. This tax revenue does not include the thousands of living-wage jobs for Detroit residents, as well as local supplier opportunities, nor does it account for the local tourism revenue derived from casino guests spending at restaurants, personal services, gas stations, entertainment venues, and more.

Starting in 1998, Detroit Casinos made commitments in their development agreements with the City that continue to contribute to the well-being of Detroiters, such as using their best efforts to hire and train a workforce of at least 51% Detroit residents; recruiting minority and women employees for management jobs; requiring contractors to have equal opportunity plans and pay prevailing wages; purchasing at least 30% of goods and services from Detroit businesses; and implementing a responsible gaming plan to discourage compulsive gaming with self-suspension support and employee training to recognize signs of trouble, as well as preventing access by minors.

Prediction market companies, if left unchecked, put the public benefits from these partnerships at risk.

IV. Prediction market companies avoid the consumer protection rules of Michigan's regulatory framework, putting Detroit residents at risk.

Consumer safety and casino compliance regulations in Michigan's gaming laws are necessary to protect the public. The MGCB maintains a Responsible Gaming Database ("RGD") that allows a patron to voluntarily self-exclude from all Michigan regulated online gaming or internet sports betting. On March 17, during Problem Gambling Awareness Month, the MGCB announced an expansion of its award-winning responsible gaming campaign *Don't Regret the Bet, Keep Gambling Fun.* Upon the Detroit Casinos' license renewals in September 2025, the MGCB stated that the approvals came after a comprehensive review of:

> *each casino's operations, regulatory compliance, and commitment to responsible gaming practices, as required under the Michigan Gaming Control and Revenue Act. The decision ensures that Detroit residents and visitors can continue to enjoy a safe, secure, and well-regulated gaming environment.*

Moreover, Executive Director Henry Williams stated:

> *Detroit's commercial casinos are not only entertainment destinations but also major contributors to the city and state economies. By renewing these licenses, the Board reaffirms its commitment to a gaming industry that promotes integrity, accountability, and community benefit. Our oversight helps ensure that patrons have a fair and responsible experience, while Michigan residents continue to see the economic value generated by casino revenues.*

These words are not empty promises, but real commitments to the City's future that have been nurtured for over 26 years. It may be just entertainment for some, but the thrill of gaming comes with potentially severe personal and financial risks, and all Michiganders, including Detroit residents, deserve robust consumer protection, as recognized by the legislative intent enacted into law. Prediction market companies are offering gaming while having no obligation to the City of Detroit or the State of Michigan to provide tools like those described above.

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The City of Detroit has emerged from bankruptcy to build a stable fiscal foundation supported in significant part by the revenue from regulated gaming. That foundation is being actively eroded by prediction market platforms that offer functionally identical products to licensed sportsbooks while evading every obligation that licensure entails: taxes, consumer protections, responsible gaming standards, community investment, and workforce commitments.

The Commission has the statutory authority to address this problem by: (1) reaffirming that sports event contracts involve "gaming" and are contrary to the public interest; (2) reaffirming that sports event contracts offered without compliance with applicable state gaming laws involve "activity that is unlawful under…State law" and are contrary to the public interest; and (3) accounting for the fiscal impact on state and local governments as a material cost of permitting prediction markets to offer de facto sports bets via event contracts.

Sincerely,

Conrad L. Mallett, Esq.
Corporation Counsel

Tanya Stoudemire
Chief Financial Officer

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Supervising Assistant Corporation Counsel

cc: The Honorable Michael S. Selig, Chairman
Commodity Futures Trading Commission