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Administration

Division of Gaming

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LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
2	Tribal Gaming Computer System (Paper #155)
3	Tribal Gaming Regulatory Positions (Paper #156)

(Gov) Agency: DOA -- Tribal Gaming Computer System

Recommendations:

Paper #155: Alternative 2

Comments: While there may be a compelling case to be made for computerizing, approving the governor's proposal amounts to signing a blank check.

As Point 9 suggests, the committee could ask the Department to refine its proposal and come back under 16.515 review.

If the committee wants to go with Alternative 1, it is essentially trusting DOA to do the right thing.

Prepared by: Bob



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May 21, 1999

Joint Committee on Finance

Paper #155

Tribal Gaming Computer System (DOA -- Division of Gaming)

[LFB 1999-01 Budget Summary: Page 71, #2]

CURRENT LAW

Base funding and position authority for the general program operations appropriation for the regulation of Indian gaming is \$913,100 PR and 10.0 PR positions. The Office of Indian Gaming in the Division of Gaming: (a) coordinates state regulation of Indian gaming; (b) functions as a gaming liaison between Indians, the general public and the state; (c) functions as a clearinghouse for information on Indian gaming; and (d) assists the Governor in determining the types of gaming that may be conducted on Indian land, and in entering into Indian gaming compacts.

GOVERNOR

Provide \$879,800 PR in 1999-00 and \$150,900 PR in 2000-01 for a computer system to process slot machine gaming data provided to the state by tribal casinos. The funding under the bill would be placed in unallotted reserve, to be released by DOA, pending a final determination of cost. Revenue for the system would be provided from state Indian gaming receipts, including new tribal gaming payments under the amended state-tribal gaming compacts.

DISCUSSION POINTS

1. Under the recently completed state-tribal gaming compact amendments, the tribes agree, with some variations, to provide the state with electronic access to certain slot machine accounting data (as an alternative to on-site physical access allowed under the original compacts). The computer system proposed under the bill would be designed for receiving and processing this data and generating reports.

2. Division of Gaming officials describe the proposed computer system as a "turnkey" system; that is, one for which hardware and software is customized specifically for the purpose at hand. Officials argue that this type of system is required because Division staff have neither the time (due to current workload) nor the expertise to design and implement such a specialized system.

3. Division of Gaming officials indicate that the tribes currently operate approximately 13,000 slot machines (electronic games) and the number is expected to rise to approximately 15,000 by the end of 1999. Further, among the tribal operations, four different slot accounting systems are used. Officials argue that monitoring gambling activity on this scale, with limited staff resources, requires advanced computer technology with the capacity to handle large amounts of data input from a variety of tribal accounting systems.

4. The proposed computer system was not requested by the Department in its 1999-01 budget request. However, the Division of Gaming had material relating to the proposal prepared in December, 1998. The cost estimates developed at that time are as follows:

<u>Expense</u>	<u>One-Time Costs</u>	<u>Annual Costs</u>
Office space	\$10,000	\$3,000
Training	54,200	5,000
Travel	0	5,000
Telecommunications	2,000	13,200
Software	290,000	10,000
Contractors	0	20,000
Production supplies	16,200	2,000
Equipment	356,500	10,000
Maintenance	<u>0</u>	<u>82,700</u>
Total	\$728,900	\$150,900

These estimates were adopted under the bill, with the first year's cost comprising both the one-time costs and the first year's annual costs (a total of \$879,800).

5. DOA budget officials indicate that the estimated cost of the system was based on general discussions with one vendor and, at this time, detailed descriptions of each cost category are not available. Officials indicate that costs could be reduced: (a) as a result of a competitive bidding process; or (b) if state technology could be utilized to assist with part of the project (that is, through the Division of Information Technology in DOA). Indeed, the computer system funding was placed in unallotted reserve, according to officials, to allow for the release of funding following a more thorough examination of the alternatives that might be available, including the possible use of state resources.

6. However, Division of Gaming officials indicate that the option of utilizing state information technology services has been researched and they do not believe that this option has any significant cost or programmatic advantages compared to a stand-alone system located within the Division. Further, they indicate that the tribes prefer a separate system, located in the Division of Gaming, to ensure the security and confidentiality of the data that would be accessed.

7. Division of Gaming officials also indicate that the vendor consulted for cost estimates is the only vendor currently known to the Division that has a software program that would work with the various slot accounting programs used by Wisconsin tribes. Other vendors' packages, according to Division of Gaming officials, work with only one or another of the various accounting systems, not with two or more. Officials are researching other possible vendors, but it may be difficult to find a number of vendors that would be competitive from this perspective.

8. In summary, the Division of Gaming, under the compact amendments, is provided electronic access to accounting data relating to slot machine activity. A computer system, like the one proposed, may be the only practical means to access, summarize, analyze and report on this data, particularly in view of somewhat limited staff resources. However, the available cost data is preliminary and needs to be developed in greater detail.

9. If the Committee agrees with the need to implement this information technology initiative and would like DOA to make a final determination of costs, it could approve the Governor's provision. Alternatively, if the Committee does not want to approve the system, or would like to review in greater detail the costs associated with the system prior to final approval, it could maintain current law. The Department could then refine its proposal and the associated costs and submit a request for the system under s. 16.515 of the statutes. This would provide the Committee with a 14-day passive review of the proposal and the opportunity to meet on the request.

ALTERNATIVES

1. Approve the Governor's recommendation to provide \$879,800 in 1999-00 and \$150,900 in 2000-01 in unallotted reserve for a computer system to access and process slot machine accounting data from tribal casinos. *for release by JFC under s.16.515*

2. Maintain current law.

Alternative 2	PR
1999-01 FUNDING (Change to Bill)	- \$1,030,700

Prepared by: Art Zimmerman

MO# Alt 1 + passive review

2	BURKE	(Y)	N	A
	DECKER	(Y)	N	A
	JAUCH	(Y)	N	A
	MOORE	(Y)	N	A
	SHIBILSKI	(Y)	N	A
	PLACHE	(Y)	N	A
	COWLES	(Y)	N	A
	PANZER	(Y)	N	A
1	GARD	(Y)	N	A
	PORTER	(Y)	N	A
	KAUFERT	(Y)	N	A
	ALBERS	(Y)	N	A
	DUFF	(Y)	N	A
	WARD	(Y)	N	A
	HUBER	(Y)	N	A
	RILEY	(Y)	N	A

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