



Legislative Fiscal Bureau

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May 23, 2001

Joint Committee on Finance

Paper #175

Tribal Gaming Revenue Allocations

Wisconsin Development Fund, Manufacturing Assessment Grants and Business Employees' Skills Training Program -- Funding (Commerce -- Departmentwide and Economic Development)

[LFB 2001-03 Budget Summary: Page 170, #6 and Page 173, #8]

CURRENT LAW

The Wisconsin Development Fund (WDF) consists of the following programs: (1) technology development grants and loans; (2) customized labor training grants and loans; (3) major economic development grants and loans; (4) urban early planning grants; (5) Wisconsin trade project; (6) employee ownership assistance grants; (7) manufacturing extension center grants; (8) revolving loan fund capitalization grants; and (9) the rapid response fund. The WDF is funded through both a general purpose revenue (GPR) and a program revenue (PR) appropriation. The GPR appropriation is the primary source of funding for the WDF. Annual base level funding for the program is \$7,503,800 GPR and \$2,500,000 PR.

Manufacturing extension grants provide financial assistance to technology-based nonprofit organizations. A technology-based nonprofit organization is defined as a nonprofit corporation or organization under state or federal law that is exempt from the federal income tax and that has as a mission the transfer of technology to businesses in the state. In order to obtain a manufacturing extension center grant, the technology-based nonprofit organization is required to submit a plan to Commerce that details its proposed expenditures and performance measures related to the project and the Secretary of Commerce must approve the plan. The maximum amount of grants that can be awarded is \$1 million in a fiscal year. Currently, the grants must be made from the WDF program revenue repayments appropriation. Grants can be used to provide financial support to the programs and operation of technology-based nonprofit organizations. Manufacturing extension center grants cannot be made after June 30, 2001.

The Business Employees' Skills Training Grant Program (BEST) was created by 1999 Wisconsin Act 177 to provide grants to certain small businesses to assist employees or prospective employees in acquiring work skills sought by the businesses. Eligible applicants are businesses located in Wisconsin with: (1) no more than 25 full-time employees; and (2) no more than \$2.5 million in gross annual income in the prior year. A business cannot receive more than \$10,000 in BEST grants. The maximum total amount of grants that can be awarded is \$500,000 in fiscal year 2000-01. Grants can be used to pay costs of providing skills training or other education for current or prospective employees that is related to the needs of the business but may not be used to pay wages or compensate for lost revenue that is connected to providing the training or other education. Grants cannot be used to pay more than 80% of the cost of any skills training or other education that is provided to the owner of the business, the owner's spouse or a child of the owner. No single funding source is specified for BEST grants under current law. Commerce makes BEST grants from the Wisconsin Development Fund (WDF), Rural Economic Development (RED) program or Minority Business Finance (MBF) programs depending on the type of applicant and project.

GOVERNOR

Create a separate program revenue appropriation for the manufacturing extension grant program and provide \$1,000,000 PR annually in tribal gaming revenues to fund the program. The program would no longer be funded through WDF appropriations. The program's sunset date of June 30, 2001, would be repealed.

Provide \$300,000 PR annually to fund the Business Employees' Skills Training (BEST) grant program. A separate program revenue appropriation would be created from tribal gaming revenue provided to the state under state-tribal gaming compact amendments.

DISCUSSION POINTS

Manufacturing Extension Center Grants

1. Manufacturing extension center grants will only be made to the Wisconsin Manufacturing Extension Partnership (WMEP). WMEP is operated by an organization that includes the Department of Commerce, University of Wisconsin System and Extension, Wisconsin Technical College System (WTCS), Marquette University, Milwaukee School of Engineering, labor and business. WMEP provides process improvement and technology transfer services to small and medium-sized manufacturers. WMEP personnel work directly with the manufacturers to address their needs in areas such as production techniques, technology applications, business practices and specialized training. Solutions are offered through a combination of direct assistance from staff and work with outside resources. WMEP is part of a nationwide system of manufacturing extension partnerships that receive federal funding from the National Institute of Standards and Technology (NIST).

2. Currently, WMEP has an operations staff of manufacturing specialists, environmental engineers, three regional managers and three training coordinators. In many cases the person's salary provides a cash or in-kind match for federal funds. The organization's budget for fiscal year 2000-01 is \$6,998,700. The table below shows the budget by source of funds. For fiscal year 2000-01, the federal funding requires a 50% cash match from WMEP.

TABLE 1

WMEP Budget

	<u>Amount</u>	<u>Percent</u>
Partner In-Kind/Cash match	\$1,119,800	16.0%
Customer Fees	1,851,000	26.4
WTCS GPR	375,800	5.4
Commerce Grant (PR)	1,000,000	14.3
Federal (NIST) Grant	2,309,800	33.00
Other	<u>342,300</u>	<u>4.9</u>
Total	\$6,998,700	100.0%

3. WMEP provides technical and business solutions customized to the needs of the company, through assessment and planning, identification of improvement opportunities, and assistance with implementation. According to WMEP, it had a direct impact of \$32.3 million on customers in fiscal year of 1999-00. In addition, WMEP provided assistance to 434 small manufacturers during the year. Table 2 shows the estimated benefits of WMEP activities.

TABLE 2

**Estimated Benefits from WMEP
Activities 1999-00**

Increased Sales	\$18,507,000
Savings in Labor and Materials	5,727,200
Expense Avoidance	3,435,000
Inventory Cost Reduction	4,012,000
Scrap and Rework Savings	<u>590,600</u>
Total	\$32,271,800

4. Since WMEP was established, Commerce has provided assistance in a number of ways. Under a provision of 1993 Wisconsin Act 232, the WDF, GPR appropriation was changed from a biennial to a continuing appropriation for 1993-94. This change allowed the Department to fund new projects with WDF monies that were previously encumbered but no longer necessary to

fund the projects for which they were awarded. Act 232 also created a manufacturing extension grant program for that year. The Department used prior year encumbrances and the new grant program to provide WMEP a manufacturing extension grant of \$1.575 million. The 1997 budget review bill (1997 Wisconsin Act 237) created the manufacturing assistance program that included the manufacturing assessment, customized supplier training and technology transfer subprograms. The total amount of grants that could be awarded through all three subprograms could not exceed \$750,000 in a biennium. The manufacturing assistance subprograms were designed, in part, to provide state funding to the Wisconsin Manufacturing Extension Partnership (WMEP).

5. The manufacturing assistance program and subprograms were eliminated in 1999 Wisconsin Act 9 (the 1999-01 biennial budget) and replaced by current manufacturing extension center grant program. Annual expenditure authority of \$1,000,000 was provided under the WDF repayments appropriation to fund the program. Commerce cannot encumber any funds for manufacturing extension center grants after June 30, 2001.

6. WMEP is relying on the Commerce grants as an important source of funding in its 2001-02 and 2002-03 budgets. Table 3 shows WMEP projected budgets for each fiscal year. The table shows that the \$1.0 million that would be provided from Commerce would represent 12.4% and 11.1%, respectively, of WMEP's budget. The funding provides a match for federal funds.

TABLE 3

**WMPE Projected Budgets
2001-03**

	2001-02		2002-03*	
	Amount	Percent	Amount	Percent
Partner In-Kind/Cash Match	\$1,139,000	14.1%	\$2,100,000 **	23.3%
Customer and Other Fees	2,920,000	36.2	2,200,000	24.4
Commerce	1,000,000	12.4	1,000,000	11.1
Federal Grant (NIST)	2,633,000	32.6	3,000,000	33.3
WTCS	\$376,000	4.7	—	—
Other	—	—	700,000	7.9
Total	\$8,068,000	100.0%	\$9,000,000	100.0%

*Projection based on strategic targets.

**Includes WTCS, GPR funding.

7. The bill establishes tribal gaming revenues as the source of annual funding for manufacturing extension center grants. Eight tribal gaming agreements contain government to government memoranda of understanding (MOU) that relate to the use of additional compact payments. A common element in most agreements is a provision that the Governor undertake his

best efforts within the scope of his authority to assure that monies paid to the state under the agreements are expended for specified purposes. With certain exceptions these purposes are: (a) economic development initiatives for benefit of tribes and/or Native Americans within Wisconsin; (b) economic development initiatives in regions around casinos; (c) promotion of tourism within the state; and (d) support of programs and services of the county in which the tribe is located. Several of the MOU add a fifth purpose relating to either law enforcement or public safety initiatives on the reservations. However, two of the amended compact agreements do not include MOU on government-to-government matters and are silent on the issue of how the state uses the tribal gaming revenue. It could be argued that these revenues are unrestricted and may be used for any purpose.

8. Use of tribal gaming revenues as a source of funding for manufacturing extension center grants is supported because the activities of WMEP promote economic development. WMEP services have increased sales, investment and employment in small businesses in the state that can benefit tribes and Native Americans. Many of WMEP's clients are located in rural communities and areas affected by Native American gaming operations.

9. However, WMEP does not generally target its services to businesses that are specifically impacted by Native American gaming or that are located in such areas. Thus, it could be argued, that it is not clear that WMEP services are of particular benefit to tribes or areas affected by Native American gaming operations. As an alternative, manufacturing extension center grants could continue to be funded by the WDF program revenue repayments appropriation. Base level expenditure authority for the appropriation includes \$1,000,000 designated for these grants in the 1999-01 biennium. However, this would reduce funding that would be available for other WDF grants and loans.

Business Employees' Skills Training Grants

1. The Business Employees' Skills Training Grant (BEST) program was established by the Legislature to assist small businesses that are facing severe labor shortages in upgrading the skill of their workforce. Commerce considers the following factors in awarding grants: (a) whether the business is in an industry with severe labor shortages; (b) wages and benefits paid to the trained employee compared to the cost of training; (c) impact of training on applicant's business operations; (d) viability of the applicant; (e) qualifications of trainer; (f) whether the business is in a development zone; and (g) availability of funds.

2. A version of the BEST program was included as a Senate amendment to the 1999-01 budget bill. Under the Senate amendment, \$1 million annually would have been provided from the WDF for BEST in grants and loans. However, the bill approved by the Conference Committee did not include the BEST program. In May, 2000, the Legislature established the current BEST program in 1999 Wisconsin Act 177. As passed by the Legislature, BEST grants would have been funded by the WDF. The Governor vetoed this provision. As a result, no specific funding source for the program was provided. Commerce determined that the program would be funded from the WDF, Rural Economic Development (RED), Minority Business Finance (MBF), and Business Development Initiative (BDI) programs, depending upon the applicant and training project.

3. Through April 5, 2001, a total of \$173,800 in BEST grants had been made to 39 applicants. Of the total, 32 awards totaling \$157,000 had been made from the RED and seven awards totaling \$16,800 had been made from the WDF. Grants have been used to fund training activities such as participation in vendor provided programs that teach individuals farm management skills and attendance at technical colleges in computer programming and related courses.

4. The argument for using tribal gaming monies to fund BEST grants is similar to that for manufacturing extension center grants. The BEST program also promotes job creation and economic development in some small businesses that are affected by tribal gaming operations and other business that are located in areas that would benefit Native Americans and tribes. Also, Commerce indicates that there is a relatively high level of demand for BEST grants. Through March of 2001, the Department had received 84 applications for BEST grants. Providing a separate source of funding allows the Department to evaluate and make awards to useful training projects without competition for the same funding from other potentially successful economic development projects that would occur if the BEST program was included in other Commerce economic development programs such as WDF or RED.

5. Again, similar to the manufacturing extension center grant funding issue, it could be argued that the BEST program does not specifically target training grants to businesses that benefit Native Americans, tribes or businesses that are affected by tribal gaming. Moreover, the BEST program passed by the Legislature would have been a subprogram funded by the WDF. An alternative would be to delete tribal gaming revenues as a source of funding and instead fund the BEST program from the WDF. Since most of the training grants to date have been made from the RED, a second alternative would be to fund the BEST program from the RED program. Finally, since the Governor item-vetoed Act 177 to eliminate a specific funding source for BEST and the program has functioned about a year without a separate funding source, an alternative would be to continue to operate the program as it is under current law.

WDF Funding Level

1. As noted, the WDF is funded by both a GPR and program revenue repayments appropriation. The repayments appropriation was established to operate similar to revolving loan funds so that, over time, the amounts received from loan repayments could be used to finance additional loans and reduce the need for GPR funding. Table 4 shows the estimated revenues, expenditure authority and appropriation balances for the repayments appropriation in each year of the biennium. Base level expenditure authority for the appropriation includes \$1,000,000 annually that was used to make manufacturing extension center grants. If those grants are funding with tribal gaming revenues instead, one alternative would be to reduce the WDF, GPR appropriation by the \$1 million annually to reflect the additional \$1 million in program revenue that would be available for awards. Table 4 shows that with the base level expenditure authority and estimated revenues, the appropriation balance in the repayments appropriation would be \$6,610,600 in 2002-03. If the repayments appropriation is viewed as a revolving loan fund that should offset GPR funding over time, GPR funding could be reduced and offset with the additional program revenues. Specifically,

as a second alternative, GPR funding could be reduced \$5 million in 2001-02 and \$1 million in 2002-03. Ongoing program revenues would match ongoing expenditures in the repayments appropriation. As a third alternative, these changes could also be made in conjunction with a reduction in GPR funding to reflect the new funding source for manufacturing extension grants. Table 5 shows WDF funding under each alternative.

TABLE 4

**WDF Projected Revenues Annual Expenditure Authority
and Projected Repayments Appropriation Balances**

Opening Balance	\$5,834,000	\$5,741,500
Revenues	2,407,500	3,369,100
Expenditure Authority	<u>-2,500,000</u>	<u>-2,500,000</u>
Closing Balance	\$5,741,500	\$6,610,600

TABLE 5

Alternative WDF Total Funding Levels

	(Annual) Governor	(Annual) Offset GPR With WMEP Funding	Offset GPR With PR		Combined Alternatives	
			2001-02	2002-03	2001-02	2002-03
GPR	\$7,503,800	\$6,503,800	\$2,503,800	\$6,503,800	\$1,503,800	\$5,503,800
PR	<u>2,500,000</u>	<u>2,500,000</u>	<u>7,500,000</u>	<u>3,500,000</u>	<u>7,500,000</u>	<u>3,500,000</u>
Total	\$10,003,800	\$9,003,800	\$10,003,800	\$10,003,800	\$9,003,800	\$9,003,800

2. The WDF repayments appropriation is a program revenue, continuing appropriation. Dollar amounts shown in the schedule for such appropriations represent the most reliable estimates of the amounts that will be expended. However, expenditures made from such appropriations are generally only limited by the amount revenues that are available from the appropriation. Consequently, if program revenues are used to offset GPR funding, while estimated WDF awards in the 2001-03 biennium would not be affected, overall funding available to the WDF would be reduced by the amount of offset. In this regard it should be noted that Commerce and DOA increased the budget authority for the repayments appropriation by \$4 million in 2000-01 and expects to award this additional amount by the end of the fiscal year. Using program revenues to offset GPR would reduce total WDF funding and limit the Department's ability to fund more economic development projects in the future.

ALTERNATIVES TO BASE

A. Manufacturing Extension Center Grants

1. Approve the Governor's recommendation to create a separate program revenue appropriation for the manufacturing extension center grant program [20.143(1)(ko)] and provide \$1,000,000 PR annually in tribal gaming revenues to fund the program. (The program would no longer be funded through WDF appropriations.) The grant program's sunset date of June 30, 2001, would be repealed.

Alternative A1	PR
2001-03 FUNDING (Change to Base)	\$2,000,000
[Change to Bill]	\$0]

2. Delete the Governor's recommendation. Instead, eliminate the sunset of the manufacturing extension center grant program on June 30, 2001. (The grants would continue to be funded from the WDF repayments appropriation.)

Alternative A2	PR
2001-03 FUNDING (Change to Base)	\$0
[Change to Bill]	-\$2,000,000]

B. Business Employees' Skills Training Program

1. Approve the Governor's recommendation to create a separate program revenue appropriation for the business employees' skills training grant program (BEST) [20.143(1)(kp)] and provide \$300,000 PR annually in tribal gaming revenues to fund the program.

Alternative B1	PR
2001-03 FUNDING (Change to Base)	\$600,000
[Change to Bill]	\$0]

2. Delete the Governor's recommendation and, instead, require that the business employees' skills training program be funded from the WDF.

Alternative B2	PR
2001-03 FUNDING (Change to Base)	\$0
[Change to Bill]	-\$600,000]

3. Delete the Governor's recommendation and, instead, require that the business employees' skills training program be funded from the RED.

<u>Alternative B3</u>	<u>PR</u>
2001-03 FUNDING (Change to Base)	\$0
[Change to Bill]	- \$600,000]

4. Maintain current law. (The business employees' skills training program would continue to be funded from various Commerce grant and loan programs.)

<u>Alternative B4</u>	<u>PR</u>
2001-03 FUNDING (Change to Base)	\$0
[Change to Bill]	- \$600,000]

C. WDF Funding Level

1. Reduce funding for the WDF by \$1,000,000 GPR annually to reflect the change in funding for manufacturing extension center grants.

<u>Alternative C1</u>	<u>GPR</u>
2001-03 FUNDING (Change to Base)	- \$2,000,000
[Change to Bill]	- \$2,000,000]

2. Reduce funding for the WDF by \$5,000,000 GPR in 2001-02 and \$1,000,000 GPR in 2002-03. Increase expenditure authority for the WDF repayments appropriation [20.143(1)(ie)] by \$5,000,000 PR in 2001-02 and \$1,000,000 PR in 2002-03. (This alternative could be adopted in addition to, in lieu of, Alternative C1.)

<u>Alternative C2</u>	<u>GPR</u>	<u>PR</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base)	- \$6,000,000	\$6,000,000	\$0
[Change to Bill]	- \$6,000,000	\$6,000,000	\$0]

3. Maintain current funding levels for the WDF.

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May 23, 2001

Joint Committee on Finance

Paper #176

Tribal Gaming Revenue Allocations

Native American Economic Development Program (Commerce -- Departmentwide and Economic Development)

[LFB 2001-03 Budget Summary: Page 174, #9]

CURRENT LAW

The Department's Native American liaison position provides technical and economic development assistance to Native American entrepreneurs and tribal communities. Commerce also administers two grant programs that provide funds to the Great Lakes Inter-Tribal Council (GLITC)--an economic development liaison grant program and economic development technical assistance grant program. The Commerce liaison position and the grant programs are funded through three separate program revenue appropriations. Base level funding is as follows: (1) Native American economic development; liaison--\$61,800 PR and 1.0 PR position; (2) Native American economic development; technical assistance--\$25,000 PR; (3) Native American economic development; liaison grants--\$25,000 PR. The source of PR funding for the appropriations is tribal gaming revenues.

GOVERNOR

Provide increased funding of \$65,000 PR in 2001-02 and \$69,000 PR in 2002-03 for the Native American technical assistance grant appropriation. In addition, increased annual funding of \$10,700 PR would be provided for supplies and services related to the Department's liaison's activities. The source of increased PR funding would be tribal gaming revenue.

DISCUSSION POINTS

1. The Department's Native American economic liaison position is the main state government contact for Wisconsin's Native American tribes, tribal communities and entrepreneurs regarding business and economic development activities. The position is responsible for: developing, coordinating and implementing new economic development policies and programs to strengthen tribal economies; developing and coordinating programs, policies and activities that improve economic development and relationships between tribes and surrounding communities; assisting native entrepreneurs in gaining information and access to state economic and community development programs; and providing specific data analysis, training or technical assistance required to further economic development or business recruitment in tribal communities. The liaison also administers the Department's Native American liaison and technical assistance grant programs and works with the tribal liaison and small business technical assistance coordinator to assist Native American entrepreneurs.

2. The technical assistance grant program provides \$25,000 to GLITC for a position that provides technical assistance for economic development on or near Native American communities. Entities that are eligible for technical assistance are: tribal enterprises; Native American businesses located on tribal lands; and other Native American businesses that directly benefit the economies of tribal communities. Technical assistance includes: (a) management assistance to existing businesses; (b) start-up assistance to new businesses, including developing business and marketing plans and assisting in securing development financing; and (c) assistance to new and existing businesses in gaining access to tribal, state and federal business assistance and financing programs. GLITC is prohibited from providing technical assistance for commercial gaming and gambling activities under this program. The liaison provides direct technical assistance to an average of 20 businesses a year. In addition, the liaison represents the tribes on various councils and committees and participates in seminars, conferences and other events promoting economic development for tribal communities or individual Native American entrepreneurs.

3. The economic development liaison grant program provides \$25,000 annually to GLITC to partially fund a Council liaison between Native American businesses, tribes and individuals that are interested in economic assistance programs and the agencies and organizations that administer the programs. The liaison acts as a spokesperson for the tribes on certain economic development issues, assists in organizing and implementing joint projects, and acts as a contact between the tribes and government agencies. The liaison has provided leadership for the Wisconsin Native American Tourism Initiative, participated in the World Travel Market, coordinated the 2001 American Indian Tourism Conference, and is coordinating the 2001 Native American Mid-Summer Conference for the Great Lakes Region.

4. The Great Lakes Inter-Tribal Council (GLITC) is a non-profit organization that was founded in 1965 to help Wisconsin's Native American tribes achieve a greater degree of economic and social self-sufficiency. Although tribes provide their own individual leadership, GLITC promotes inter-tribal cooperation by developing administration, technical assistance and economic development programs, obtaining technical and financial assistance and exchanging information between tribes. Ten of the state's 11 Native American Tribes are members. The GLITC board of

directors includes members from each of the 10 member tribes. Individual members also provide advisory assistance concerning the operation of economic and social programs in their communities. GLITC also acts as a clearinghouse to implement and deliver services to tribes and their members.

5. The current Native American economic development program was created in 1991, although the Department provided assistance to Native American businesses and tribes in prior years. Initially, annual funding provided for the grant programs included \$50,000 GPR for technical assistance grants and \$33,500 for liaison grants. GLITC was required to provide matching funds for the liaison grant. The Department liaison was originally provided \$50,000 GPR. In the 1993-95 biennium, the program was provided funding of \$58,400 GPR for the Department liaison, \$50,000 GPR for technical assistance grants and \$33,500 GPR for liaison grants.

6. As part of required agency GPR funding reductions, the 1995-97 biennial budget reduced annual funding for the Native American economic development program as follows: (a) supplies and services funding for the Department's liaison's position was reduced by \$9,000, from \$17,600 GPR to \$8,600 GPR; (b) funding for technical assistance grants was reduced by \$25,000, from \$50,000 GPR to \$25,000 GPR and GLITC was required to provide matching funds; and (c) funding for the liaison grant was reduced by \$8,500, from \$33,500 GPR to \$25,000 GPR. However, the Department indicated that the remaining supplies and services funding was adequate for the position and that GLITC would be able to find other funding sources to replace the reduced grant money. Most of the Department's GPR funded programs were subject to budget reductions.

7. The 1999-01 biennial budget (1999 Wisconsin Act 9) converted the funding source for the Native American economic development program from GPR to tribal gaming revenue, but no additional funding was provided.

8. The Department and GLITC have continued to provide economic development assistance through the Native American economic development program. The GLITC technical assistance and liaison positions have been funded and have continued their activities. The Department's liaison has also continued its activities with the reduced supplies and services funding. Consequently, it could be argued that it is appropriate that funding be provided at base level amounts.

9. However, the gaming compact revenue could be viewed as an opportunity to increase the level of state funding for the Native American economic development program and, at the same time, reinforce the state's commitment to the provisions of the gaming compacts. Currently, the technical assistant position is budgeted at \$73,000 while the liaison is budgeted \$64,000. While GLITC has been able to obtain matching funding, it has become an increasingly difficult task. Some of the matching funds are obtained through annual contracts requiring the Council to seek replacement monies every year. In other cases, the sources of funding have criteria that require the individuals to engage in activities that are not directly involved in economic development. Since most of the tribes and GLITC are located in Northern Wisconsin, the reduced supplies and services funding for the Department's liaison has somewhat limited the individual's ability to travel to areas that could benefit from assistance.

10. The GLITC has indicated that the tribes are concerned that a portion of the gaming compact monies be used for "economic development initiatives to benefit Tribes and/or American Indians within Wisconsin". The Council notes that if the current programs are strengthened, the tribes will feel the state has shown good faith and will have taken positive steps to satisfy their request for use of the compact monies.

11. As noted, the bill would provide an additional \$65,000 in 2001-02 and \$69,000 in 2002-03 to fully fund the technical assistance position and \$10,700 each year to increase supplies and services funding for the Department's liaison position.

12. In its budget request, Commerce requested an additional \$106,000 PR in 2001-02 and \$112,000 PR in 2002-03 to fully fund the Council's liaison position and to provide an additional administrative assistant position that would provide support to the liaison and technical assistance positions. This reflected a request from GLITC for the additional funding. Of the total, \$64,000 in 2001-02 and \$67,500 in 2002-03 would be to fully fund the liaison position and \$42,000 in 2001-02 and \$44,500 in 2002-03 would be to fund the administrative assistant position. As an alternative, the Committee could provide the additional funding for these positions. A second alternative would be to fund only the Council liaison position.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to provide increased tribal gaming revenue funding of \$65,000 PR in 2001-02 and \$69,000 PR in 2002-03 for the Native American technical assistance grant appropriation [20.143(1)(kf)] and \$10,700 PR annually for supplies and services for the Department's Native American liaison appropriation [20.143 (1) (kg)].

<u>Alternative 1</u>	<u>PR</u>
2001-03 FUNDING (Change to Base) [Change to Bill]	\$155,400 \$0]

2. Approve the Governor's recommendation to provide increased funding for the Native American technical assistance and Department liaison appropriations. In addition, provide \$106,000 PR in 2001-02 and \$112,000 PR in 2002-03 to the Native American liaison grants appropriation [20.143(1)(kh)] to fully fund a liaison and technical assistant position.

<u>Alternative 2</u>	<u>PR</u>
2001-03 FUNDING (Change to Base) [Change to Bill]	\$373,400 \$218,000]

3. Approve the Governor's recommendation to provide increased funding for the Native American technical assistance and Department liaison appropriations. In addition, provide

\$64,000 PR in 2001-02 and \$67,500 PR in 2002-03 to the Native American liaison grants appropriation [20.143(1)(kh)] to fully fund a liaison position.

<u>Alternative 3</u>	<u>PR</u>
2001-03 FUNDING (Change to Base)	\$286,900
<i>[Change to Bill]</i>	<i>[\$131,500]</i>

4. Maintain current law.

<u>Alternative 4</u>	<u>PR</u>
2001-03 FUNDING (Change to Base)	\$0
<i>[Change to Bill]</i>	<i>[- \$155,400]</i>

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May 23, 2001

Joint Committee on Finance

Paper #177

Tribal Gaming Revenue Allocations

Funding for Forward Wisconsin (Commerce -- Departmentwide and Economic Development)

[LFB 2001-03 Budget Summary: Page 175, #10]

CURRENT LAW

Forward Wisconsin is a nonprofit organization created in 1984 to attract business to the state. Forward Wisconsin focuses on promotion and marketing in an effort to attract expanding and relocating businesses to the state. The organization also markets the state as a destination for job seekers and to attract former residents to help address labor shortages. Forward Wisconsin is provided base funding of \$500,000 GPR annually through Commerce. The Secretary of Commerce also serves on Forward Wisconsin's Board of Directors.

GOVERNOR

Provide \$100,000 PR in 2001-02 and \$200,000 PR in 2002-03 to Forward Wisconsin to be used for activities to recruit out-of-state businesses to Wisconsin. A separate program revenue appropriation would be funded from tribal gaming revenue provided to the state under state-tribal gaming compact amendments.

DISCUSSION POINTS

1. Forward Wisconsin focuses on marketing Wisconsin to out-of-state companies to attract new businesses, jobs and increased economic activity to the state. In 2000, Forward Wisconsin created the Great Jobs Wisconsin division to recruit workers to Wisconsin from outside the state. Forward Wisconsin has a staff of nine people and offices in Madison, Eau Claire,

Milwaukee and Chicago.

2. Forward Wisconsin's marketing plan focuses on six target industries: (a) computer and data processing services; (b) plastics; (c) forest products (hardwood plywood); (d) business services; (e) biotechnology; and (e) production machinery and equipment. The secondary target is customer service centers. Forward Wisconsin uses a range of marketing tools including: (a) direct mail campaigns and follow-up telemarketing to targeted industries and geographic areas; (b) out-of-state prospecting trips to meet with CEOs interested in locating in Wisconsin; (c) trade show appearances at targeted industry expositions; (d) print advertising campaigns directed toward geographically targeted publications and target industry journals; (e) image-building campaigns; (f) special event promotion; (g) site selection and consultant education; (h) and internet information provided through the organization's website. Forward Wisconsin also provides business cost comparisons, financial information and a variety of business consulting services on a confidential, no-cost basis.

3. Forward Wisconsin conducts two major prospecting trips to major metropolitan areas, typically to Chicago and Minneapolis/St. Paul, and also conducts one or two minor prospecting trips to smaller communities or specific target industries. According to staff, a major prospecting trip takes about three months from the planning phase until it is completed and requires follow-up with CEO's who continue to show interest in expanding in Wisconsin. The major steps in planning, organizing, and conducting a prospecting trip include: (a) purchasing or obtaining a mailing of targeted CEOs for the metropolitan area; (b) developing a letter from the Governor and other direct mail pieces (such as advantages of doing business in Wisconsin); (c) mailing the letter and other information to CEOs; (d) advertising the prospecting trip in local business publications; (e) telemarketing of CEOs to make appointments with economic development team members; (f) conducting meetings with interested executives; (g) identifying leads--businesses that have an interest in expanding sometime in the near future and that may consider Wisconsin as a company location; (h) identifying prospects--businesses with plans to expand within the next 18 months that have a defined interest in Wisconsin as a company location; and (i) conducting follow-up activities to remain in contact with interested CEOs. In fiscal year 1999-00, Forward Wisconsin sent over 10,500 direct mail pieces to CEOs in the Chicago and Minneapolis/St. Paul areas and related prospecting trips generated over 220 appointments with interested business executives.

4. GreatJobsWI.com is an interactive website developed by Forward Wisconsin. Businesses can use the interactive site to post job vacancies, profile the company and download resumes posted by job seekers. Participating business receive direct e-mail notification, within 24 hours, of candidates matching new job postings. Job seekers have access to job postings, additional career information and related links. Resumes can be e-mailed directly to employers and job postings are e-mailed to all registered matching job seekers. Forward Wisconsin is using GreatJobsWI.com to take a leadership role in developing the employment section of the WI.Gov website.

5. Forward Wisconsin coordinates its economic development activities with those undertaken by the Department of Commerce. Forward Wisconsin is responsible for out-of-state

marketing and business attraction, while Commerce is responsible for existing business retention, expansion, financial programs and international development.

6. Forward Wisconsin's revenue for 2000-01 is projected to be \$1,173,000. About forty-three percent (\$500,000) is aid from the state through Commerce, while the remaining \$673,000 is from private investment. Projected expenditures for 2000-01 are about \$1.1 million.

7. Forward Wisconsin received \$500,000 GPR in state funding in each fiscal year from 1984-85 through 1991-92. The organization received \$400,000 GPR in 1992-93 and \$500,000 GPR again for 1993-94 and 1994-95. The 1995-97 budget bill reduced annual funding to \$250,000 GPR for the biennium. However, state funding was returned to the current level of \$500,000 GPR in the 1997-99 biennial budget.

8. Forward Wisconsin staff indicate that the additional funding from tribal gaming revenues (\$100,000 in 2001-02 and \$200,000 in 2002-03) would be used to promote Wisconsin and recruit high technology firms, including biotechnology, software, computer and other technology-based manufacturing firms. The organization would be able to target cities other than Chicago and Minneapolis/St Paul for its recruiting activities. The additional funds would also be used for state workforce development, primarily for recruiting workers.

9. Staff would point to a recent study that indicated a 500% return on investment for state funds provided to Forward Wisconsin. In 2000, Forward Wisconsin sent surveys to 206 businesses that located operations in the state between 1984 and 2000. Sixty-two surveys were returned and Forward Wisconsin contracted with an economic development consultant (Relevant Economic Analysis Limited) to analyze the results. The consultant's study found that, for the year 1999, companies that Forward Wisconsin helped locate in the state; (a) employed 14,500 workers who generate nearly \$1 billion in sales revenue in the state; (b) paid almost \$460 million in wages and salaries; (c) purchased over \$300 million of Wisconsin-based goods and services; (d) paid almost \$40 million in state individual and corporate income and franchise taxes; and (e) donated \$4.6 million to community interest groups. The study indicated that, in 1999, the companies Forward Wisconsin helped returned over 500% of the state's total investment in the organization and private investors saw almost twice that return on their annual contributions to Forward Wisconsin. Forward Wisconsin staff note that the study shows that providing the additional state funding would have a significant effect on economic growth in the state.

10. It is difficult to quantitatively measure the success of an economic development program since many factors are usually involved in a decision to relocate or expand a business in Wisconsin. Many of Forward Wisconsin's efforts that the organization has identified as successful were accomplished jointly with local and regional economic development organizations, state businesses and the Department of Commerce. Moreover, some economic research indicates that economic development incentives and programs have a modest effect on business location and expansion decisions. However, other economic studies have shown that incentives contribute to job growth and economic development.

11. Eight tribal gaming agreements contain government to government MOU that relate to the use of additional compact payments; two agreements propose an economic development fund. A common element in most agreements is a provision that the Governor undertake his best efforts within the scope of his authority to assure that monies paid to the state under the agreements are expended for specified purposes. With certain exceptions these purposes are: (a) economic development initiatives for benefit of tribes and/or Native Americans within Wisconsin; (b) economic development initiatives in regions around casinos; (c) promotion of tourism within the state; and (d) support of programs and services of the county in which the tribe is located. Several of the MOU add a fifth purpose relating to either law enforcement or public safety initiatives on the reservations. However, two of the amended compact agreements do not include MOU on government-to-government matters and are silent on the issue of how the state uses the tribal gaming revenue. It could be argued that these revenues are unrestricted and may be used for any purpose.

12. The use of tribal gaming revenues to fund Forward Wisconsin activities could be viewed as promoting economic development in the state that would benefit Native American businesses and businesses affected by gaming operations. On the other hand, some would note that there is not a direct link between Forward Wisconsin activities and benefits received by gaming impacted businesses and tribal enterprises. From this view, some would question the use of tribal gaming revenues to fund Forward Wisconsin activities. In addition, the level of state funding for the organization has never exceeded \$500,000 annually. Historically, Forward Wisconsin has used the state funding to leverage private contributions. However, it could be argued that the return on investment of private funds invested in the organization noted in the study should make it easier for Forward Wisconsin to obtain additional private funds to expand its activities. As a result, the additional funding from tribal gaming revenues could be deleted. On the other hand, if tribal gaming revenues are viewed as an appropriate funding source for the organization's economic development activities, another alternative could be to supplant state GPR funding with the tribal gaming funds. Under this alternative, state GPR funding for the organization could be reduced by \$100,000 in 2001-02 and \$200,000 in 2002-03.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to provide \$100,000 PR in 2001-02 and \$200,000 PR in 2002-03 in tribal gaming revenues' to Forward Wisconsin to be used for activities to recruit out-of-state businesses to Wisconsin. Create a separate program revenue appropriation for tribal gaming revenue provided to the state under state-tribal gaming compact amendments. (State funding for Forward Wisconsin would increase from \$500,000 currently to \$600,000 in 2001-02 and \$700,000 in 2002-03.)

Alternative 1	PR
2001-03 FUNDING (Change to Base)	\$300,000
[Change to Bill]	\$0

2. Approve the Governor's recommendation to provide \$100,000 PR in 2001-02 and \$200,000 PR in 2002-03 in tribal gaming revenues to Forward Wisconsin to be used for activities to recruit out-of-state businesses to Wisconsin. Further, delete \$100,000 GPR in 2001-02 and \$200,000 GPR in 2002-03 in funding for aid to Forward Wisconsin. (Overall state funding for Forward Wisconsin would remain at \$500,000 annually.)

<u>Alternative 2</u>	<u>GPR</u>	<u>PR</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base)	- \$300,000	\$300,000	\$0
[Change to Bill]	- \$300,000	\$0	- \$300,000]

3. Maintain current law. (Funding for Forward Wisconsin would remain at \$500,000 GPR annually.)

<u>Alternative 3</u>	<u>PR</u>
2001-03 FUNDING (Change to Base)	\$0
[Change to Bill]	- \$300,000]

Prepared by: Ron Shanovich



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May 23, 2001

Joint Committee on Finance

Paper #178

Tribal Gaming Revenue Allocations

Dental Loan Reimbursement Program (Commerce -- Departmentwide and Economic Development)

[LFB 2001-03 Budget Summary: Page 175, #11]

CURRENT LAW

Under current law, Commerce is responsible for administering the Physician Loan Assistance Program (PLAP) and the Health Care Provider Loan Assistance Program (HCPLAP). The programs provide loan repayments for physicians and certain health care professionals who practice in areas of the state that have a shortage of physicians or health care professionals. Under PLAP, Commerce may repay up to \$50,000 in educational loans for eligible physicians. HCPLAP authorizes the Department to repay up to \$25,000 in educational loans for eligible health care providers. The eleven-member Rural Health Development Council, which is attached to Commerce, advises the Department on matters related to PLAP, HCPLAP, and related rural health care issues. Commerce is also required to contract with the University of Wisconsin Office of Rural Health for certain services. Annual state funding of \$388,700 PR in tribal gaming revenue is provided through a single appropriation. In addition, federal matching funding of \$150,000 for federal fiscal year 2000-01 was provided.

GOVERNOR

Provide \$40,000 PR in 2001-02 and \$80,000 PR in 2002-03 to expand the current Physician Loan Assistance Program (PLAP) to include dentists. The source of program revenue funding would be tribal gaming revenue provided under the state-tribal gaming compact amendments.

DISCUSSION POINTS

1. The PLAP and HCPLAP are programs that repay loans for physicians, nurse practitioners (NPs), physician assistants (PAs), and certified nurse midwives (CNMs) who agree to practice in medical shortage areas. Physicians who are board-eligible or board-certified in the specialties of family practice, general internal medicine, general pediatrics, obstetrics and psychiatry can participate in the program. The physician, NP, PA, or CNM enters into an agreement with Commerce to practice at least 32 clinic hours per week for three years in one or more eligible practice areas in the state. The physician or health care provider must also agree to care for patients who are insured or for whom health benefits are payable under Medicare, medical assistance or any other governmental program. An eligible practice area is a primary care shortage area or mental health shortage area as defined under federal law or an American Indian reservation or trust lands of an American Indian tribe.

Physicians, NPs, PAs, and CNMs may participate in an expanded loan assistance program funded with federal and matching state funding if they are a U.S. citizen and do not have a judgment lien against their property for a debt to the U.S. The physician must also meet the following requirements: (a) agree to practice at a public or private nonprofit entity in a health professional shortage area as defined under federal law; (b) accept Medicare assignment as payment in full for services or articles provided; and (c) use a sliding fee scale or a comparable method of determining payment arrangements for patients who are not eligible for Medicare or medical assistance and who are unable to pay the customary fee for the physician's services.

Through the programs, Commerce may repay up to \$50,000 in educational loans for physicians and up to \$25,000 in educational loans for NPs, PAs and CNMs over a three-year period. The programs repay educational loans obtained from public or private lending institutions for education in an accredited school of medicine or for postgraduate medical training for physicians and for education related to health care provider's field of practice. The loans are repaid according to the following schedule: (a) in the first year, 40% of the principal balance or a maximum of \$20,000 for physicians and \$10,000 for healthcare providers; (b) in the second year, 40% of the principal balance or a maximum of \$20,000 for physicians and \$10,000 for health care providers; (c) in the third year, 20% of the principal balance or a maximum of \$10,000 for physicians and \$5,000 for health care providers.

Commerce is authorized to establish priorities among applicants using certain criteria, such as the need for medical care in the practice area, in cases where funding is insufficient to repay the loans of all applicants. Commerce can also impose penalties on physicians who breach loan repayment agreements.

2. As of January, 2001, 101 physicians and 25 health care providers had participated in the loan assistance programs. Attachments 1 and 2 shows the location where physicians and health care providers, respectively, have practiced.

3. Under the bill, the PLAP would be expanded to include dentists. Commerce would repay educational loans for dentists that agreed to practice in dental health shortage areas. Dentists would have to meet the practice and service criteria applied to physicians for both the

state and expanded federal programs. Loans of up to \$50,000 would be repaid over three years according to the schedule used for physician loans. Commerce would have authority to establish priorities for awarding grants and to impose penalties on dentists who breached loan agreements.

The Rural Health Development Council would be increased from 11 to 12 members to include a licensed dentist. The Council would be authorized to advise the Department on matters related to the dental loan assistance program.

The contract with the University of Wisconsin Office of Rural Health would be modified to require the Office to: (a) advise the Department and Rural Health Development Council (Council) on the identification of dental health shortage areas with an extremely high need for dental care; (b) assist in publicizing the program to dentists and eligible communities; (c) assist dentists who are interested in applying to participate in the program; and (d) assist communities in obtaining dentists through the program.

4. In April, 2000, the Rural Health Development Council voted to recommend to the Secretary of Commerce that the PLAP program be expanded to include dentists. The Council was presented with information that indicated that there was a shortage of dentists in the state and that many individuals, particularly the working poor and individuals participating in Badger Care and Medicaid lacked sufficient access to dental care. The Wisconsin Dental Association provided information indicating that the number of dentists practicing in the state will decline substantially by 2010 and there are fewer dentists and specialists in smaller population areas. In addition, the council was informed that many dentists were graduating with significant debt and concern about paying off the debt affected job choices. Many dentists decided to practice with larger dental clinics that provided loan forgiveness programs. Such programs are generally not available in rural areas. The Legislative Council Committee on Dental Care Access recently recommended legislation that would expand PLAP to include dentists and dental hygienists. Twenty-six states offer loan repayment programs for dentists.

5. The bill provides \$40,000 PR in 2001-02 and \$80,000 PR in 2002-03 in tribal gaming revenues to fund the program expansion. This would allow Commerce to fund loan repayments for two dentists each year of the biennium. In order to fund repayments for two new dentists each year, ongoing funding of \$100,000 PR would need to be provided, beginning in the first year of the 2003-05 biennium.

6. Eight tribal gaming agreements contain government-to-government MOU that relate to the use of additional compact payments. A common element in most agreements is a provision that the Governor undertake his best efforts within the scope of his authority to assure that monies paid to the state under the agreements are expended for specified purposes. With certain exceptions these purposes are: (a) economic development initiatives for benefit of tribes and/or Native Americans within Wisconsin; (b) economic development initiatives in regions around casinos; (c) promotion of tourism within the state; and (d) support of programs and services of the county in which the tribe is located. Several of the MOU add a fifth purpose relating to either law enforcement or public safety initiatives on the reservations. However, two of the amended compact agreements do not include MOU on government-to-government matters

and are silent on the issue of how the state uses the tribal gaming revenue. It could be argued that these revenues are unrestricted and may be used for any purpose.

7. PLAP and HCPLAP require physicians and health care providers to practice in underserved, rural areas of the state, many of which are near Indian Reservations. Moreover, eligible practice areas for physicians and health care providers include American Indian reservations and trust lands of American Indian tribes.

8. Prior to 1997, the PLAP, HCPLAP and contract with the Office of Rural Health were funded through separate appropriations. The 1997-99 biennial budget consolidated the appropriations into one appropriation. The consolidated appropriation gives Commerce more flexibility in making awards based on the qualifications and number of applicants rather than based on the profession of the applicant (physician or health care provider). In addition, the consolidation allows the Department to leverage matching federal funds and offer the expanded state federal program. Commerce is authorized to establish priorities among applicants in cases where funding is insufficient to repay the loans of all applicants.

9. Since the appropriations were consolidated, Commerce has been funding more loan repayments for physicians than would have been possible using separate appropriations for PLAP and the HCPLAP. If the Department believes that creating a dentist loan repayment program is a high priority, some of the funding currently used for physicians could be reallocated to repay dental loans. In addition, the National Health Service Corporation (NHSC) administers a loan repayment program for eligible health professionals who agree to practice a minimum of two years at an eligible site in federally designated health professional shortage areas. Eligible health professionals include: (a) physicians specializing in family medicine, general pediatrics, general internal medicine, general psychiatry, or obstetrics/gynecology; (b) primary care nurse practitioners; (c) primary care physician assistants; (d) certified nurse midwives; (e) dentists; (f) dental hygienists; and (g) certain mental health professionals (doctoral clinical psychologists, clinical social workers, psychiatric nurse specialists, or marriage and family therapists). The maximum loan repayment is \$25,000 for each year of the two-year commitment period. The loan repayment may be extended beyond two years, one year at a time, to the extent the individual has unpaid qualified educational loans and agrees to serve at an eligible site. The maximum loan repayment for each additional year of service is \$35,000. Participants also receive a payment equal to 39% of the total loan repayment amount for the year for income tax payments. As of March 1, 2001, there were 12 primary care physicians, 1 psychiatrist, and three dentists serving in Wisconsin with NHSC commitments.

10. On the other hand, the Department would note that it requested the additional funding for the program expansion because existing funding is not sufficient to meet the current level of demand for participation in the PLAP and HCPLAP and also provide funding for dentist loan repayments. In 2000-01, a total of six physicians and one health care provider received loan repayment assistance. However, a total of nine physicians and 10 health care providers applied to participate in the PLAP and HCPLAP. Historically, demand for participation in the program has been greater than the number that could be funded. Similarly, federal funding has not been sufficient to meet demand for participation in the NHSC loan repayment program. In fiscal year

2000, NHSC received 27 loan repayment applications and awarded four contracts.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to Provide \$40,000 PR in 2001-02 and \$80,000 PR in 2002-03 to expand the current Physician Loan Assistance Program (PLAP) to include dentists. Provide that the source of program revenue funding would be tribal gaming revenue provided under the state-tribal gaming compact amendments. Require that any unencumbered balance in the appropriation used to fund the physician, dentist, health care provider loan assistance programs and the contract with the Office of Rural Health [20.143(1)(kr)] on June 30 of each odd-numbered year would revert to the Indian gaming receipts appropriation from which the tribal gaming revenue is transferred. Increase the Rural Health Development Council from 11 to 12 members to include a licensed dentist. Authorize the Council to advise the Department on matters related to the dental loan assistance program. Under the Commerce contract, require the University of Wisconsin Office of Rural Health to: (a) advise the Department and Rural Health Development Council on the identification of dental health shortage areas with an extremely high need for dental care; (b) assist in publicizing the program to dentists and eligible communities; (c) assist dentists who are interested in applying to participate in the program; and (d) assist communities in obtaining dentists through the program.

<u>Alternative 1</u>	<u>PR</u>
2001-03 FUNDING (Change to Base) [Change to Bill]	\$120,000 \$0

2. Approve the Governor's recommendation to expand the current Physician Loan Assistance Program (PLAP) to include dentists, but delete the additional funding (\$120,000 PR in tribal gaming revenues) that would be provided.

<u>Alternative 2</u>	<u>PR</u>
2001-03 FUNDING (Change to Base) [Change to Bill]	\$0 -\$120,000

3. Maintain current law.

<u>Alternative 3</u>	<u>PR</u>
2001-03 FUNDING (Change to Base) [Change to Bill]	\$0 -\$120,000

Prepared by: Ron Shanovich
Attachment

ATTACHMENT 1

Listing of Physician Awards by Location Physician Loan Assistance Program

January, 2001

<u>Number</u>	<u>Town</u>	<u>Number</u>	<u>Town</u>
1	Arcadia	17	Milwaukee
2	Ashland (OB Shortage Area Only)	1	Mineral Point
1	Augusta	1	Mondovi
1	Bayfield	1	Monroe (OB Shortage Area Only)
1	Beloit	1	Muscoda
4	Boscobel	1	Osseo
1	Chetek	1	Peshtigo
1	Chilton	1	Plain
2	Columbus	1	Platteville
2	Darlington	1	Portage
2	Dodgeville	1	Pound
1	Elcho	1	Rib Lake
2	Elmwood	1	Shell Lake
1	Fennimore	4	Sparta/Chaston
2	Grantsburg	1	Spring Green
5	Hayward	1	Spoooner
5	Keshena	4	Sturgeon Bay
1	Kewaunee	1	Superior (no longer a shortage area)
1	Ladysmith	4	Tomahawk
1	Lancaster	1	Turtle Lake
2	Luxemburg	1	Washington Island
3	Madison (All psychiatrists at the Mendota Mental Health Institute)	3	Wausau
3	Marinette	1	Wautoma
1	Markesan	1	Wild Rose
4	Medford	1	Wisconsin Dells

ATTACHMENT 2

**Listing of Health Care Provider Awards by Location
Health Care Provider Loan Assistance Program
April, 2001**

<u>Number</u>	<u>Town</u>
1	Arcadia
1	Blanchardville
1	Boscobel
1	Cashton
1	Darlington
1	Fennimore
1	Greenwood
1	Hurley
1	Kenosha
1	Lancaster
1	Luck
1	Medford
2	Milwaukee
1	Mineral Point
1	Norwalk
2	Osseo
1	Pardeeville
1	Potosi
1	Rome
2	Sparta
1	Spoooner
1	Turtle Lake



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May 23, 2001

Joint Committee on Finance

Paper #179

Tribal Gaming Revenue Allocations

Deer Management (DNR -- Fish, Wildlife and Recreation)

[LFB 2001-03 Budget Summary: Page 469, #3]

CURRENT LAW

The Department of Natural Resources charges statutory fees for hunting, fishing and special licenses and stamps. Revenue from the sales of these licenses and stamps is deposited into the fish and wildlife account of the conservation fund. Monies in the fish and wildlife account are used for fish and wildlife management and education, conservation law enforcement, wildlife damage programs, conservation aids and a portion of DNR administrative and support costs.

In an effort to more effectively manage the state's growing white-tail deer population, DNR has expanded its herd monitoring capabilities and conducted an audit of its Sex-Age-Kill (S-A-K) methodology for estimating deer populations. In addition, the Department, together with the Conservation Congress (a non-profit conservation organization), undertook an extensive public input initiative called "Deer 2000 and Beyond". The purpose of this initiative was to generate public and stakeholder feedback, which would guide DNR's budget recommendations for changes in hunting seasons, determinations of quotas, and regulation of hunting practices (such as baiting and feeding). The Department indicates that four goals of the management initiative include maintaining a healthy deer herd, providing recreational opportunities for a wide range of user groups, simplifying and making consistent deer management goals and policies, and providing flexibility to adjust management goals.

GOVERNOR

Provide \$166,000 in 2001-02 and \$157,900 in 2002-03 from tribal gaming revenues. Create an annual appropriation to support the implementation of recommendations for deer herd management developed through the Deer 2000 and Beyond initiative.

DISCUSSION POINTS

1. Under 1999 Act 9, the Legislature provided \$175,000 in fish and wildlife SEG (\$75,000 in 1999-00 and \$100,000 in 2000-01) to expand DNR herd monitoring capabilities, conduct audits of the S-A-K methodology for estimating deer herd population, and to expand outreach and public involvement in deer herd population monitoring. The bill would increase the total amount available to DNR for deer population estimates, education, and research to \$266,000 in 2001-02 and \$257,900 in 2002-03.

2. Given the wildlife management issues generated by the size of the Wisconsin deer herd, it may be considered reasonable to designate additional resources for their consideration. Issues that DNR is reviewing include duration and timing of the deer hunting season, wildlife damage management issues, and the potential for wildlife disease outbreaks in Wisconsin. For the fall, 2000 deer hunting season, special "Zone T" hunts were instituted in 97 of the 125 (78%) of the deer management units statewide. These hunts consisted of additional antlerless deer seasons for gun hunters from October 26-29, and from December 7-10. The early archery season was also extended from November 13 through November 16 in all Zone T units. All hunters received two free Zone T antlerless permits when they purchased a deer-related license for the 2000 hunting season. Approximately 67,400 antlerless deer were harvested during the October Zone T season, and an additional 16,600 were registered during the December Zone T hunt. Recent totals for the 2000 hunting season from DNR indicate that a record 528,494 deer were harvested during the deer gun hunting season, and an additional 86,899 deer were harvested during the archery season.

3. The Department has indicated that, in addition to funding for more accurate deer population monitoring, funds would be used for public education efforts regarding its sex-age-kill (S-A-K) deer herd estimation methodology. Better communication with the public concerning both regional deer population estimates and the reliability of the methods used to arrive at these estimations was a point of concern raised during the Deer 2000 process. Tentatively, DNR is planning to allocate \$45,000 each year for an outside scientific audit of the DNR population model, as well as expenses associated with the implementation of recommendations generated by the audit. Funding would also be used for research and education, including efforts to investigate the impacts of baiting and feeding on the deer herd, the impacts of deer on forestry and native ecosystems, and verification of deer population estimates. Approximately \$60,000 each year would support educational efforts, funding classroom materials, multimedia materials, and increased hunter education efforts. A state-wide publication targeting hunters is being considered to increase awareness of deer management and harvest issues throughout the state. In addition, DNR anticipates expanding the current deer hunter survey to increase the sample size and broaden the scope of the

survey. Conservation Congress study groups may also receive support to facilitate further study of deer management and stakeholder issues.

4. The Department is considering allocating \$55,000 in each year of the biennium to implement a master hunter education program, providing funds for initial research and program development, including the development of classroom materials and printing costs. Any remaining funds would be targeted towards the implementation of other Deer 2000 recommendations, including development of a 3-tier wildlife damage program and a private land access program. However, these programs require statutory modifications that have either not been introduced or not been adopted by the Legislature.

5. Partnerships with non-profit organizations (such as the Conservation Congress) have proven effective in the past for generating stakeholder participation and dialogue between hunters, community members, and the DNR. The Department, working cooperatively with one or more partners to educate concerned citizen groups on herd management practices may be more cost-effective. From this perspective, it may be reasonable to encourage DNR to increase cooperative efforts and provide less than the recommended amount of funds. One alternative would be to delete base funding from the fish and wildlife account. If the Governor's recommendation were approved, this would have the net effect of increasing funding for this appropriation by \$66,000 in 2001-02 and by \$57,900 in 2002-03, and funding the appropriation entirely with PR from tribal gaming revenues. Some believe Deer 2000 was a one-time effort to review deer management in Wisconsin. As this review has been completed, it may be argued from this perspective that funding could be eliminated altogether.

Tribal Gaming Revenues

6. In general, expenditures from the state fish and wildlife account have been primarily supported by fish and game license revenue. Ongoing, non-license sources of revenue to the account include investment income on the account balance and timber sales from state wildlife properties. These revenue sources typically make up less than five percent of account revenues. Further, federal revenues, primarily from federal hunting and fishing excise taxes, fund fish and wildlife programs in the state (\$14.1 million in 1999-00).

7. Under 1999 Act 9, a variety of fish and wildlife programs were funded from tribal gaming revenue. Among these was the establishment of a \$2.5 million annual transfer to the fish and wildlife account. This revenue is not statutorily designated for a specific purpose. In addition, tribal gaming revenues are used to fund the management of state fishery resources in off-reservation areas where tribes have treaty-based rights to fish, management of an elk reintroduction program, one-time funding for a study of crop damage by cranes, a half-time position relating to the reintroduction of whooping cranes to Wisconsin, and payments to the Lac du Flambeau Band relating to certain fishing and sports licenses. In the 1999-01 biennium, \$5.8 million in tribal gaming revenue supported these fish and wildlife related expenditures.

8. However, one consideration for the use of tribal gaming revenue is how well it fits

with the memoranda of understanding (MOU) between the state and the tribes related to the use of compact revenues. Eight tribal gaming agreements contain government-to-government memorandum of understanding (MOU) that relate to the use of additional compact payments, and two agreements propose an economic development fund. A common element in most agreements is a provision that the Governor undertake his best efforts within the scope of his authority to assure that monies paid to the state under the agreements are expended for specified purposes. With certain exceptions, these purposes are: (a) economic development initiatives for the benefit of tribes and/or Native Americans around Wisconsin; (b) economic development initiatives in regions around casinos; (c) promotion of tourism within the state; and (d) support of programs and services of the county in which the tribe is located. Several of the MOU add a fifth purpose relating to either law enforcement or public safety initiatives on the reservations. However, two of the amended compact agreements do not include MOU on government-to-government matters and are silent on the issue of how the state uses tribal gaming revenue. It could be argued that these revenues are unrestricted and may be used for any purpose. To the extent that managing the deer herd to promote herd health and hunting opportunities is seen as promoting fish and game-related tourism and tourism-related economic development in Wisconsin, it could be argued this use of tribal gaming revenue may be consistent with the compacts.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to provide \$166,000 in 2001-02 and \$157,900 in 2002-03 from tribal gaming program revenues. Funding would be used for research and education, including efforts to investigate the impacts of baiting and feeding on the deer herd, the impacts of deer on forestry and native ecosystems, and verification of deer population estimates.

Alternative 1	PR
2001-03 FUNDING (Change to Base)	\$323,900
[Change to Bill]	\$0

2. Approve the Governor's recommendation to provide \$166,000 in 2001-02 and \$157,900 in 2002-03 for these purposes. However, specify that funding be provided from fish and wildlife SEG.

Alternative 2	PR	SEG	TOTAL
2001-03 FUNDING (Change to Base)	\$0	\$323,900	\$323,900
[Change to Bill]	-\$323,900	\$323,900	\$0

3. Approve the Governor's recommendation to provide \$166,000 PR in 2001-02 and \$157,900 PR in 2002-03 from tribal gaming revenues for these purposes. In addition, delete \$100,000 SEG of base funding annually from the fish and wildlife account of the conservation fund. (This would have the net affect of increasing funding for the Deer 2000 management effort by

\$66,000 in 2001-02 and by \$57,900 in 2002-03, funded entirely with PR.)

<u>Alternative 3</u>	<u>PR</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base)	\$323,900	-\$200,000	\$123,900
[Change to Bill]	\$0	-\$200,000	-\$200,000]

4. Do not adopt the Governor's recommendation. Further, delete \$100,000 SEG annually from the fish and wildlife account to eliminate funding for the Deer 2000 initiative.

<u>Alternative 4</u>	<u>PR</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base)	\$0	-\$200,000	-\$200,000
[Change to Bill]	-\$323,900	-\$200,000	-\$523,900]

5. Maintain current law.

<u>Alternative 5</u>	<u>PR</u>
2001-03 FUNDING (Change to Base)	\$0
[Change to Bill]	-\$323,900]

Prepared by: Rebecca Hotynski



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May 23, 2001

Joint Committee on Finance

Paper #180

Tribal Gaming Revenue Allocations

Elk Herd Monitoring (DNR -- Fish, Wildlife and Recreation)

[LFB 2001-03 Budget Summary: Page 469, #5]

CURRENT LAW

The Department of Natural Resources is responsible for monitoring and managing the elk herd in the Chequamegon National Forest in portions of Ashland, Bayfield, Price, and Sawyer Counties. Twenty-five elk were released near Clam Lake into a 720 square mile study area of the Forest in May, 1995. The population of the herd is now estimated at 80 to 90 elk. DNR monitors herd dispersal and makes population census flights and ground checks. The agency also monitors deer activity and concentration within the primary elk range, impact on rare plants, monitoring of wolf pack activity in areas occupied by elk, and verification of habitat use.

GOVERNOR

Provide an additional \$27,000 annually from tribal gaming revenues to support field monitoring and management plans, including potential harvest plans, for the state wild elk population. Funds would continue to support the ongoing elk reintroduction project in the Clam Lake area, as well as aid in assessing other regions of the state for reintroduction possibilities.

DISCUSSION POINTS

1. Under the provisions of 1999 Act 9, DNR received base funding of \$172,400 and 0.5 position from tribal gaming revenues for elk management and reintroduction activities throughout the state. Further, DNR is reviewing the possibility of establishing a second elk herd in the state, with the Black River State Forest being considered as a potential release site.

2. While it may be argued that this past action sets a precedent for the continued appropriation of tribal gaming revenues to facilitate elk reintroduction, others have raised concerns regarding the use of gaming compact revenues for this purpose. From this perspective, it may be appropriate to entertain considerations regarding alternative funding sources.

3. Eight tribal gaming agreements contain government-to-government memorandum of understanding (MOU) that relate to the use of additional compact payments, and two agreements propose an economic development fund. A common element in most agreements is a provision that the Governor undertake his best efforts within the scope of his authority to assure that monies paid to the state under the agreements are expended for specified purposes. With certain exceptions, these purposes are: (a) economic development initiatives for the benefit of tribes and/or Native Americans around Wisconsin; (b) economic development initiatives in regions around casinos; (c) promotion of tourism within the state; and (d) support of programs and services of the county in which the tribe is located. Several of the MOU add a fifth purpose relating to either law enforcement or public safety initiatives on the reservations. However, two of the amended compact agreements do not include MOU on government-to-government matters and are silent on the issue of how the state uses tribal gaming revenue. It could be argued that these revenues are unrestricted and may be used for any purpose. Elk reintroduction does not clearly fall within the specified criteria. However, to the extent that the elk reintroduction program is seen as promoting elk viewing and future hunting and related tourism, it could be argued this use of tribal gaming revenue may be consistent with the compact MOU.

4. Since one of the goals of the elk management program is to support a herd large enough for a viable hunting season, the fish and wildlife account of the conservation fund may be viewed as an appropriate funding source for these activities. Given that forest lands are currently being used as habitat for elk and will likely be used for any expansion of the herd, the forestry account of the conservation fund is another possible source of funding.

ALTERNATIVES TO BASE

1. Provide \$27,000 annually from the following funding source to support field monitoring and management plans, including potential harvest plans, for the state wild elk population. Funds would continue to support the ongoing elk reintroduction project in the Clam Lake area, as well as aid in assessing other regions of the state for reintroduction possibilities.

- a. tribal gaming revenue allocations (the Governor's recommendation)

Alternative 1a	PR
2001-03 FUNDING (Change to Base)	\$54,000
(Change to Bill)	\$0

b. fish and wildlife account

<u>Alternative 1b</u>	<u>PR</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base)	\$0	\$54,000	\$54,000
(Change to Bill)	- \$54,000	\$54,000	\$0]

c. forestry account

<u>Alternative 1c</u>	<u>PR</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base)	\$0	\$27,000	\$27,000
(Change to Bill)	- \$27,000	\$27,000	\$0]

2. Maintain current law.

<u>Alternative 2</u>	<u>PR</u>
2001-03 FUNDING (Change to Base)	\$0
(Change to Bill)	- \$27,000]

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Joint Committee on Finance

Paper #181

Tribal Gaming Revenue Allocations

County and Municipal Enforcement Aids (DNR -- Fish, Wildlife and Recreation)

[LFB 2001-03 Budget Summary: Page 476-7, #21, 24 and 25]

CURRENT LAW

As part of its cooperative enforcement efforts with local governments for boat, snowmobile, and ATV enforcement, DNR distributes aid to counties for snowmobile and ATV enforcement activities, and to municipalities for boating enforcement expenditures. The Department provides aids to counties for up to 100% of eligible costs of enforcing snowmobile and ATV laws. Aid is also distributed to municipalities for the costs of local boating law enforcement, search and rescue, and safety activities. Municipalities are eligible for amounts up to 75% of their approved costs. No municipality may receive aid amounting to more than 20% of the funds available. Aid payments for any of these programs are prorated if claims exceed the appropriation level.

GOVERNOR

Provide \$300,000 annually (\$100,000 PR from tribal gaming revenues and \$200,000 SEG from the snowmobile account of the conservation fund) to increase available aid for county snowmobiling enforcement efforts.

Further, provide \$20,000 annually from the all-terrain vehicle (ATV) account to increase funding for the county enforcement aids program to \$70,000 annually, and provide \$300,000 annually from the boat registration account of the conservation fund to increase enforcement aids for municipal boat patrols (\$1,400,000 annually under the bill).

DISCUSSION POINTS

1. County snowmobile, ATV, and municipal boating enforcement aids requests for the last three years are detailed in the following table.

Enforcement Aids History County Snowmobile, ATV, and Municipal Boating Enforcement Reimbursement

Fiscal Year	Snowmobile		ATV		Boating	
	Total Eligible Costs	Proration Level	Total Eligible Costs	Proration Level	Total Eligible Costs	Proration Level
1997-98	227,800	88%	34,100	88%	1,594,200	69%
1998-99	243,200	82%	50,300	59.60%	1,839,500	59.80%
1999-00	302,600	66%	69,300	72%	1,833,300	60%

2. DNR provides aids to counties for up to 100% of eligible costs of enforcing snowmobile laws. If claims exceed the appropriation level, payments to counties are prorated. For snowmobile enforcement activities that occurred over the winter of 2000-01, DNR estimates that eligible costs may approach \$500,000. Under the current appropriation (\$200,000 SEG annually), this would result in a reimbursement rate of approximately 40%, while under the bill counties would receive 100% state funding. Reasons for the increase include better than average snow conditions for the season, and increased county enforcement efforts in response to both higher levels of snowmobile trail use and concern over the previous years snowmobile-related fatalities.

3. For boating enforcement activities that occurred in 1999-00, 97 municipalities received reimbursements totaling \$1.1 million, which represented 60% of the total eligible costs of their local water patrol activities. These grants are funded from the boat registration account. For ATV enforcement activities that occurred in 1999-00, 18 counties received reimbursements totaling \$50,000, which represented 72% of the eligible costs of their local ATV patrol activities.

4. It may be argued that, as enforcement aid programs targeted towards recreational activities that receive support from registration fees, these three programs should be treated equally in terms of eligible levels of reimbursement. From the perspective that these enforcement activities provide a public safety benefit to the local community, it may be desirable to maintain a local cost share. Further, providing a minimum of a 25% local cost share maintains some fiscal incentive for local governments to manage their eligible enforcement costs. Reducing ATV and snowmobile enforcement eligible reimbursement levels to 75% would accomplish both of these objectives.

5. Several levels of funding for reimbursement of enforcement requests to the ATV account may be considered. Based on previous request levels, expenditures eligible for reimbursement may reach \$85,000 for 2000-01 for activities associated with ATV enforcement.

Funding from the ATV account would need to be increased by \$13,800 annually over its base funding of \$50,000 to fund 75% of eligible expenses. Under the bill, funding of \$70,000 would be available, increasing the potential reimbursement rate to 82% of eligible ATV enforcement expenditures. In order to fund 100% of eligible ATV enforcement expenditure requests, approximately \$85,000 annually would be required (\$35,000 annually more than is currently provided as base expenditure authority). Based on the bill and Joint Finance action to date, on June 30, 2003, the ATV account is expected to have a balance of \$405,000.

6. The same considerations may be extended to the reimbursement of snowmobile enforcement activities. Based on previous request levels and estimates provided by DNR wardens, expenditures eligible for reimbursement may reach \$500,000 for 2000-01 for activities associated with snowmobile enforcement. Funding from the snowmobile account would need to be increased by \$175,000 annually over its base funding of \$200,000 to fund 75% of eligible expenses. Under the bill, increased funding of \$300,000 annually would be available, increasing the potential reimbursement rate to 100% of eligible snowmobile enforcement expenditures.

7. Based on previous request levels, expenditures eligible for reimbursement may reach \$1.9 million for 2000-01 for activities associated with municipal boating enforcement. Funding from the boat account would need to be increased by \$325,000 annually over its base funding of \$1.1 million to fund 75% of eligible expenses. Under the bill, increased funding of \$300,000 annually would be available, for a reimbursement rate of about 74% of eligible boating enforcement expenditures. In order to fund 100% of eligible boating enforcement expenditure requests, approximately \$1.9 million annually would be required (\$800,000 annually more than is currently provided as base expenditure authority).

8. On June 30, 2003, the boating account is expected to have a balance of \$1.5 million. Effective April 1, 2000, the boat registration cycle was increased from two to three years, and the fee schedule changed to maintain the same annualized cost of registration. This altered the revenue flow to the boat account by creating a low-registration third year, in which only revenues from original registrations for boats purchased in that year will be received (primarily effecting state fiscal years 2001-02, 2004-05 and every third year thereafter). As a result, expenditure requests and revenue estimates must be addressed in the context of the three-year cycle to ensure that financial commitments may be met. Therefore, in order to assess whether the boating account contains sufficient revenue to fund additional expenditures, the projected balance of the boat account at the end of the entire three-year cycle must be considered. While the June 30, 2003, balance of the boating account is expected to be approximately \$1.5 million under the bill, it is uncertain whether the expenditure levels under the bill can be maintained in the 2003-05 biennium.

9. The bill would provide \$100,000 annually from tribal gaming revenues for local snowmobile enforcement aids. Eight tribal gaming agreements contain government-to-government memorandum of understanding (MOU) that relate to the use of additional compact payments, and two agreements propose an economic development fund. A common element in most agreements is a provision that the Governor undertake his best efforts within the scope of his authority to assure that monies paid to the state under the agreements are expended for specified purposes. With certain

exceptions, these purposes are: (a) economic development initiatives for the benefit of tribes and/or Native Americans around Wisconsin; (b) economic development initiatives in regions around casinos; (c) promotion of tourism within the state; and (d) support of programs and services of the county in which the tribe is located. Several of the MOU add a fifth purpose relating to either law enforcement or public safety initiatives on the reservations. However, two of the amended compact agreements do not include MOU on government-to-government matters and are silent on the issue of how the state uses tribal gaming revenue. It could be argued that these revenues are unrestricted and may be used for any purpose.

ALTERNATIVES TO BASE

A. Reimbursement Percentage

1. Equalize the eligible reimbursement levels for ATV and snowmobile county enforcement aids at the 75% maximum rate currently established for municipal boating enforcement aids.
2. Maintain current law. (Local snowmobile and ATV enforcement activities would continue to receive up to 100% reimbursement of eligible enforcement expenses; municipalities would receive up to 75% reimbursement of eligible boating enforcement expenses.)

B. Funding Level

1. Approve the Governor's recommendation to provide \$620,000 annually (\$100,000 PR from tribal gaming revenues, \$200,000 snowmobile SEG, \$20,000 ATV SEG, and \$300,000 boating SEG from the conservation fund) to increase available aid for county and municipal enforcement efforts. (This would allow DNR to fund approximately 100% of eligible reimbursement costs for local snowmobile enforcement efforts, 82% of ATV enforcement efforts, and up to 75% of eligible boating enforcement expenses.)

Alternative 1	PR	SEG	TOTAL
2001-03 FUNDING (Change to Base)	\$200,000	\$1,040,000	\$1,240,000
[Change to Bill]	\$0	\$0	\$0]

2. Adopt the Governor's recommendation. Further, provide an additional \$15,000 annually from ATV SEG. (This would allow DNR to fund up to 100% of eligible reimbursement costs for local snowmobile and ATV enforcement efforts, and up to 75% of eligible boating enforcement expenses.)

Alternative 2	PR	SEG	TOTAL
2001-03 FUNDING (Change to Base)	\$200,000	\$1,070,000	\$1,270,000
[Change to Bill]	\$0	\$30,000	\$30,000]

3. Provide \$488,800 annually (\$175,000 snowmobile SEG, \$13,800 ATV SEG, and \$300,000 boating SEG) to increase available funds for local enforcement reimbursements. (This would allow DNR to fund approximately 75% of eligible reimbursement costs for local snowmobile, ATV and boating enforcement efforts. The \$200,000 of tribal gaming revenue allocated under the bill would be available for other purposes.)

<u>Alternative 3</u>	<u>PR</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base)	\$0	\$977,600	\$977,600
[Change to Bill]	- \$200,000	- \$62,400	- \$262,400]

4. Provide \$488,800 annually (\$100,000 PR from tribal gaming revenues, \$75,000 snowmobile SEG, \$13,800 ATV SEG, and \$300,000 boating SEG) to increase available funds for local enforcement reimbursements. (This would allow DNR to fund approximately 75% of eligible reimbursement costs for local snowmobile, ATV and boating enforcement efforts.)

<u>Alternative 4</u>	<u>PR</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base)	\$200,000	\$777,600	\$977,600
[Change to Bill]	\$0	- \$262,400	- \$262,400]

5. Maintain current law.

<u>Alternative 5</u>	<u>PR</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Base)	\$0	\$0	\$0
[Change to Bill]	- \$200,000	- \$1,040,000	- \$1,240,000]

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May 23, 2001

Joint Committee on Finance

Paper #182

Tribal Gaming Revenue Allocations

Revenue Transfer to Parks (DNR -- Forestry and Parks)

[LFB 2001-03 Budget Summary: Page 484, #19]

CURRENT LAW

Parks account revenues are generated primarily by motor vehicle admissions fees to state parks and camping site fees. Other revenues include fees for camping, certain trail use, golfing at Peninsula State Park and swimming at Blue Mounds State Park. In addition, a portion of the revenue from the sale of patron licenses is deposited in the parks account to reflect the park-related privileges granted to patron sticker holders.

GOVERNOR

Provide a transfer of \$1,000,000 in 2001-02 and \$718,000 in 2002-03 from tribal gaming revenues to the parks account of the conservation fund. The transfer would occur in the 2001-03 biennium only under the bill.

DISCUSSION POINTS

1. Parks account expenditures exceeded revenues by approximately \$1.1 million in 1999-00. In 2000-01, ongoing expenditures are expected to exceed revenues to the parks account by \$1.7 million. A portion of this imbalance may be attributed to the Parks December 21, 1999, request to the Joint Committee on Finance under s.13.10, where the Committee approved a total of \$581,100 SEG in 1999-00 and \$903,600 SEG in 2000-01 and 21.14 positions to increase staffing at various parks properties. While this request had the potential to create a structural imbalance to the parks account of over \$1 million, the Department argued that increased staffing would make parks more attractive to visitors as the quality of customer service and educational opportunities would

improve. In addition, DNR contended that providing staff to monitor admissions stations would generate additional revenues due to increased sales of vehicle admissions stickers. In addition to these expenditures, 1999 Act 9 required DNR to lapse \$630,000 in 1999-00 and \$500,000 in 2000-01 from the parks account to the general fund. Parks attendance did not, however, increase to meet expectations. According to DNR, exceptionally bad weather had a detrimental effect on parks attendance (heavy rainfall occurred throughout May and June of 2000, and several parks experienced flooding and washouts). The parks account is projected to be in deficit by approximately \$300,000 on June 30, 2001. If current expenditure and revenue trends were allowed to continue, it is estimated that the parks account would have a closing balance of approximately -\$3.6 million on June 30, 2003 (-\$1.9 million with the tribal gaming revenue transfer).

2. This transfer is one of several components in the bill that address the parks account deficit. Under the bill, parks expenditures related to administration and technology and for customer assistance and external relations would be reduced by \$1,300,000 in 2001-02 and by \$1,050,000 in 2002-03. A fee increase for vehicle admissions stickers is also included in the bill. While these measures are intended to address the structural imbalance of the parks account, additional measures would be required to keep the parks account from ending the 2001-03 biennium in deficit.

3. Under the bill, the balance of the parks account is estimated to be approximately \$530,000 on June 30, 2003. If the Governor's recommendation to transfer tribal gaming revenues was not approved, the closing balance is estimated to be -\$1.2 million.

Tribal Gaming Revenue

4. Eight tribal gaming agreements contain government-to-government memorandum of understanding (MOU) that relate to the use of additional compact payments, and two agreements propose an economic development fund. A common element in most agreements is a provision that the Governor undertake his best efforts within the scope of his authority to assure that monies paid to the state under the agreements are expended for specified purposes. With certain exceptions, these purposes are: (a) economic development initiatives for the benefit of tribes and/or Native Americans around Wisconsin; (b) economic development initiatives in regions around casinos; (c) promotion of tourism within the state; and (d) support of programs and services of the county in which the tribe is located. Several of the MOU add a fifth purpose relating to either law enforcement or public safety initiatives. However, two of the amended compact agreements do not include MOU on government-to-government matters and are silent on the issue of how the state uses tribal gaming revenue. It could be argued that these revenues are unrestricted and may be used for any purpose. Further, to the extent that maintaining a successful state parks system promotes state tourism, it could be argued this use of tribal gaming revenue may be consistent with the compacts.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to provide a transfer of \$1,000,000 in

2001-02 and \$718,000 in 2002-03 from tribal gaming revenues to the parks account of the conservation fund. The transfer would occur in the 2001-03 biennium only.

<u>Alternative 1</u>	<u>PR</u>
2001-03 FUNDING (Change to Base)	\$1,718,000
[Change to Bill]	\$0]

2. Maintain current law.

<u>Alternative 2</u>	<u>PR</u>
2001-03 FUNDING (Change to Base)	\$0
[Change to Bill]	- \$1,718,000]

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May 23, 2001

Joint Committee on Finance

Paper #183

Tribal Gaming Revenue Allocations

Transfer Tribal Gaming Revenue to Environmental Fund (Natural Resources -- Air, Waste and Contaminated Land)

[LFB 2001-03 Budget Summary: Page 499, #11]

CURRENT LAW

No provision.

GOVERNOR

Transfer of \$500,000 in 2001-02 and \$2,500,000 in 2002-03 from tribal gaming revenues to the environmental management account of the segregated environmental fund.

DISCUSSION POINTS

1. The Brownfields Study Group, a group of representatives of local and state government, businesses and other public and private entities, released a January, 2001, report that recommended that \$4 million annually in Indian gaming revenues from the Forest County Potawatomi Community (located in Forest County and Milwaukee) be targeted toward brownfields redevelopment in the Menomonee Valley area of Milwaukee, including \$2.1 million to the City of Milwaukee, \$1 million to the Milwaukee Economic Development Corporation (MEDC) and \$900,000 to Menomonee Valley Partners Inc.
2. Tribal gaming revenues would not be directly appropriated for Menomonee Valley redevelopment. The bill requires Commerce to make brownfields grants to MEDC and Menomonee Valley Partners Inc., but does not specify the amount of grants to be made. The

Governor's Executive Budget Book indicates that \$2,000,000 would be allocated for these grants. The bill increases the Commerce brownfields grant appropriation by \$100,000 in 2001-02 SEG and \$2,100,000 SEG in 2002-03. The program is funded from the environmental fund.

3. Eight tribal gaming agreements contain government-to-government memoranda of understanding (MOU) that relate to the use of additional compact payments. A common element in most agreements is a provision that the Governor undertake his best efforts within the scope of his authority to assure that monies paid to the state under the agreements are expended for specified purposes. With certain exceptions these purposes are: (a) economic development initiatives for benefit of tribes and/or Native Americans within Wisconsin; (b) economic development initiatives in regions around casinos; (c) promotion of tourism within the state; and (d) support of programs and services of the county in which the tribe is located. Several of the MOU add a fifth purpose relating to either law enforcement or public safety initiatives on the reservations. However, two of the amended compact agreements do not include MOU on government-to-government matters and are silent on the issue of how the state uses the tribal gaming revenue. It could be argued that these revenues are unrestricted and may be used for any purpose.

4. The transfer from tribal gaming revenues to the environmental management account of the environmental fund would be available for the brownfields grant appropriation and any other appropriations from the account. The transfer is \$800,000 greater than the recommended increase in the Commerce brownfields grant program to help maintain a positive balance in the environmental fund. Reestimates of account revenues for 2000-01 through 2002-03 result in an estimated June 30, 2003, environmental management account balance of \$165,000.

5. Without the transfer of tribal gaming revenues, the estimated June 30, 2003, environmental management account balance would decrease by \$3,000,000 to a potential deficit of \$2,835,000. If no other revenues would be provided to the account and if, expenditure authority exceeds available revenues, the Department of Administration and affected state agencies would be responsible for ensuring that agencies limit expenditures to available revenues.

6. Since about \$2 million is expected to be used for Milwaukee projects, including the Menomonee Valley where the Potawatomi tribe's major casino is located, the recommended transfer to the environmental fund and use of monies from the environmental fund for brownfields purposes could be considered to be in accordance with the provisions of the tribal gaming agreements that support: (a) programs in the county in which the tribe is located; (b) economic development initiatives in regions around casinos; and (c) economic development initiatives for the benefit of tribes and/or Native Americans in the state.

7. If the Committee chooses to significantly decrease or delete the recommended transfer, environmental management account revenues may be insufficient to support expenditure authority under this bill. For example, the Commerce brownfields grant appropriation would be increased under the bill from the 2000-01 funding level of \$6,400,000, by \$100,000 in 2001-02 and \$2,100,000 in 2002-03. Most other environmental management account expenditure authority is in DNR, such as the state-funded response cleanup appropriation that pays for cleanup of

contaminated sites where there is no responsible party able or willing to undertake the cleanup (\$3,321,300 annually under current law and the bill).

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to transfer \$500,000 in 2001-02 and \$2,500,000 in 2002-03 from tribal gaming revenues to the environmental fund.

Alternative 1	SEG
2001-03 REVENUE (Change to Base)	\$3,000,000
[Change to Bill]	\$0

2. Maintain current law (no tribal revenue transfer would be made to the environmental fund). DOA and state agencies would have to manage the expenditures in appropriations from the environmental fund so that they remain within available revenues during 2001-03 (a reduction of over \$2.8 million under the bill).

Alternative 2	SEG
2001-03 REVENUE (Change to Base)	\$0
[Change to Bill]	-\$3,000,000

Prepared by: Kendra Bonderud

Tribal Gaming Revenue Allocations

LFB Summary Items for Which No Issue Paper Has Been Prepared

Bill Agencies

Item #	Title
	Higher Educational Aids Board
8	Indian Student Assistance Grant Program Funding
9	WHEG Program for Tribal College Students
	Veterans Affairs -- General Agency Provisions
16	American Indian Veterans Service Grants

Base Agency

Item #	Title
17	Public Instruction -- Categorical Aids Alternative School for American Indian Language and Culture