



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #135

Overview of Tribal Gaming Appropriations and General Fund Revenue (DOA -- Division of Gaming)

Bill Agency

[LFB 2007-09 Budget Summary: Page 45, #3]

INTRODUCTION

Tribal payments to the state, required under the 2003 amendments to the state-tribal gaming compacts, fund programs in various state agencies and provide revenue to the general fund. The appropriations of tribal gaming revenue to state agencies are approved in each biennial budget process. General fund revenue from tribal gaming is identified in the state's general fund condition statement and must be estimated in each fiscal year based on projected tribal payments to the state and the amounts appropriated to state agencies. This paper examines the general fund revenue projections for 2007-08 and 2008-09 under the bill and provides an overview of the appropriations of tribal gaming revenue to state agencies. A reestimate of general fund revenue in 2007-08 and 2008-09 is provided under a modification to the bill described at the end of this paper.

CURRENT LAW

Indian gaming receipts are statutorily defined as moneys received by the state from any of the following: (a) tribal reimbursement for state costs of regulation of Indian gaming under Indian gaming compacts; (b) payments by Indian gaming vendors and persons proposing to be Indian gaming vendors as reimbursement for state costs of certification and background investigations; (c) tribal reimbursement for state costs of gaming services and assistance provided by the state at the request of a tribe; and (d) other tribal payments pursuant to an Indian gaming compact.

The first draw on Indian gaming receipts is to the following appropriations: (a) a Department of Administration (DOA) Indian gaming receipts appropriation in the amount necessary to make all of the transfers specified under the appropriation to other state programs (in 2006-07 these transfers total \$26,418,700 PR); (b) a DOA general program operations appropriation relating to Indian gaming regulation under the compacts (with base funding of \$1,713,600 PR); and (c) a Department of Justice (DOJ) Indian gaming law enforcement appropriation (with base funding of \$126,100 PR).

Indian gaming receipts not otherwise credited to these appropriation accounts are deposited in the general fund (\$88.9 million in 2005-06 and an estimated \$75.6 million in 2006-07).

GOVERNOR

Appropriate \$28,584,100 PR in 2007-08 and \$28,668,900 PR in 2008-09 in tribal gaming revenue paid to the state under the amended tribal gaming compacts. The appropriations include: (a) allocations totaling \$26,641,300 PR in 2007-08 and \$26,726,100 PR in 2008-09 to various state agencies for programs unrelated to tribal gaming regulation or law enforcement; and (b) appropriations for the regulation of tribal gaming in DOA [\$1,811,200 PR annually], and tribal gaming law enforcement in the Department of Justice (DOJ) [\$131,600 PR annually].

Under the bill, tribal gaming payments to the state in the 2007-09 biennium are projected to total \$75,874,300 in 2007-08 and \$79,808,400 in 2008-09.

The general fund summary included in SB 40 shows tribal gaming general fund revenue totaling \$47,245,600 in 2007-08 and \$51,114,600 in 2008-09. However, based on the revenue projections made by the administration and the actual appropriations of tribal gaming revenue under the bill, general fund revenue would total \$47,290,200 in 2007-08 and \$51,139,500 in 2008-09, as summarized in Table 1.

TABLE 1

**2007-09 Tribal Gaming General Fund Revenue
Governor**

	<u>2007-08</u>	<u>2008-09</u>
Estimated Tribal Payments Due in 2007-09	\$75,874,300	\$79,808,400
Appropriations of Tribal Revenue	\$28,584,100	\$28,668,900
General Fund Revenue under SB 40	\$47,290,200	\$51,139,500

DISCUSSION POINTS

1. Tribal revenue paid to the state is based on provisions in the amended state-tribal gaming compacts, signed in 2003 by 10 of the 11 Wisconsin tribes. [The Lac du Flambeau did not conclude any 2003 amendments to their compact with the state.] Under the amendments, some tribes made lump-sum payments to the state in the initial two years of the agreements (2003-04 and 2004-05) and thereafter, tribes are scheduled to make payments to the state based on a percentage of net casino revenue, or "net win" (gross revenue minus winnings). The percentages used to calculate state payments vary by tribe and, in some cases, vary by year for the same tribe.

2. Under the bill, tribal gaming payments to the state are projected to total \$75,874,300 in 2007-08 and \$79,808,400 in 2008-09. [These projections assume that a pending prior-year Ho-Chunk lump-sum payment of \$30.0 million will be received in 2006-07.]

3. Under the 2003 compact amendments, some tribal payments are due to the state at various times through the state fiscal year, but most of the payments are due by June 30th, of each year. Tribal fiscal years generally vary from the state's fiscal year (July 1, to June 30). A tribe's payment to the state in a given state fiscal year would be calculated as a percent of net win for that tribe's most recent fiscal year ending prior to the due date for the state payment.

4. Annual net casino revenue has generally increased each year since tribal casino operations began in 1992. Based on data from the Legislative Audit Bureau (LAB), the annual net revenue for the last six years for which data is available is shown in Table 2.

TABLE 2

**Tribal Casino Net Gaming Revenue - 2001-2006
(In Millions)**

<u>Year</u>	<u>Net Revenue</u>	<u>Percent Change</u>
2001	\$902.0	
2002	970.4	7.6%
2003	993.6	2.4
2004	1,117.9	12.5
2005	1,150.6	2.9
2006	1,207.2	4.9

5. The state revenue estimates under the bill are based on projections of casino net win in 2007-08 and 2008-09. The average annual change in net win for each tribe over the last four years for which data is available (2003 through 2006), provides the basis for projecting net win in 2007-08 and 2008-09. The percentages of net win applicable to each tribe for 2007-08 and 2008-09 are applied to these net win projections to arrive at the state revenue estimates of \$75,874,300 in

2007-08 and \$79,808,400 in 2008-09.

6. The administration's approach to revenue projections (taking the average annual change over the most recent four years to project future net revenue) is reasonable now that tribal casino establishments have been operating for periods of 10 to 15 years. However, the projected state revenue under the bill can be reestimated based on updated net revenue data reported by the Legislative Audit Bureau (LAB) for the years 2003 through 2006.

7. Based on the LAB reported net revenue amounts and the average annual change over the most recent four years, state payments by the tribes would be reestimated to total \$72,038,100 in 2007-08 and \$74,523,500 in 2008-09. These amounts are lower than the amounts assumed under the bill by \$3,836,200 in 2007-08 and \$5,284,900 in 2008-09.

8. General fund revenues for the 2007-09 biennium are reestimated on the basis of these state payment projections. In addition, an adjustment is required to reflect certain miscellaneous revenue relating to tribal gaming, the estimated return of unspent tribal gaming revenue allocated to state agencies in the prior fiscal year, and certain compensation and health care reserves. Reestimated general fund revenue is projected at \$44,243,800 in 2007-08 and \$46,587,800 in 2008-09. These reestimates are \$3,046,400 in 2007-08 and \$4,551,700 lower than the estimates under the bill. The reestimated amounts are summarized in Table 3.

TABLE 3

**2007-09 Tribal Gaming General Fund Revenue
Governor**

	<u>2007-08</u>	<u>2008-09</u>
Reestimated Tribal Payments	\$72,038,100	\$74,523,500
Appropriations of Tribal Revenue	\$28,584,100	\$28,668,900
Revenue and Expense Adjustments	\$789,800	\$733,200
Reestimated General Fund Revenue*	\$44,243,800	\$46,587,800
General Fund Revenue under SB 40	\$47,290,200	\$51,139,500
GPR-REV Change to Bill	-\$3,046,400	-\$4,551,700

*Reestimated general fund revenue = reestimated payments - appropriations + adjustments.

9. Under the bill, the Governor recommends the appropriation of tribal gaming revenue to 13 state agencies, in 41 program areas, including the DOA regulation and DOJ enforcement appropriations. Each of these program areas is listed and briefly described in the attached table.

10. Of these 41 programs areas, 40 appropriation accounts are authorized under current law. For 39 of these 40 programs, base funding is either unchanged or modified by standard budget adjustments or certain cost reestimates. Cost reestimates include fleet rate increases that affect multiple appropriations in the Department of Natural Resources, including items 24 and 27 in the attachment, and debt service reestimates affecting multiple state agencies and appropriations, including item 33.

11. One program funded under current law for the Department of Veterans Affairs [item 35] would have base funding modified to expand the program. A more detailed description of the provision can be found in the Legislative Fiscal Bureau budget summary for Veterans Affairs.

12. One new program area is funded under the bill from tribal gaming revenue in the Historical Society [item 18] for a storage facility for the Society's collections. A more detailed description of this provision can be found in the budget summary for the Historical Society.

13. Finally, two program areas identified in the table [items 29, and 37] are not appropriated funding in the 2007-09 biennium, but are existing appropriation accounts under current law that can only be funded with tribal gaming revenue.

14. In summary, based on the appropriations made under the bill and reestimated tribal payments to the state, general fund revenue would be reestimated to total \$44,243,800 in 2007-08 and \$46,587,800 in 2008-09. If the Committee takes action to change any of the tribal gaming appropriations under the bill, general fund revenue estimates would be changed accordingly.

MODIFICATION

Reestimate general fund revenue from tribal gaming payments to the state at \$44,243,800 in 2007-08 and \$46,587,800 in 2008-09. These amounts are \$3,046,400 in 2007-08 and \$4,551,700 lower than the estimates under the bill.

Explanation: General fund revenues for the 2007-09 biennium are reestimated on the basis of revised state payment projections. In addition, an adjustment is made to reflect certain miscellaneous revenue relating to tribal gaming, the estimated return of unspent tribal gaming revenue allocated to state agencies in the prior fiscal year, and certain compensation and health care reserves.

	Change to Bill Revenue	Change to Base Funding
GPR	-\$7,598,100	\$0

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Attachment

ATTACHMENT

2007-09 Tribal Gaming Revenue Appropriations Governor

<u>Agency</u>	<u>Program Revenue</u>		<u>Purpose</u>
	<u>2007-08</u>	<u>2008-09</u>	
1 Administration	\$500,000	\$500,000	County management assistance grant program.
2 Administration	250,000	250,000	UW-Green Bay and Oneida Tribe programs.
3 Arts Board	25,200	25,200	State aid for American Indian arts.
4 Commerce	112,800	112,800	American Indian economic liaison and gaming grants specialist and program marketing.
5 Commerce	94,000	94,000	American Indian economic development technical assistance grants.
6 Commerce	2,538,700	2,538,700	Gaming economic development and diversification grants and loans.
7 Commerce	488,700	488,700	Physician, Dentist, Dental Hygienist and Health Care Provider Loan Assistance Programs.
8 Health and Family Services	500,000	500,000	Elderly nutrition; home-delivered and congregate meals.
9 Health and Family Services	120,000	120,000	American Indian health projects.
10 Health and Family Services	271,600	271,600	Indian aids for social and mental hygiene services.
11 Health and Family Services	500,000	500,000	Indian substance abuse prevention education.
12 Health and Family Services	1,070,000	1,070,000	Medical assistance matching funds for tribal outreach positions and federally qualified health centers (FQHC).
13 Health and Family Services	800,000	800,000	Health services: tribal medical relief block grants.
14 Health and Family Services	150,000	150,000	Minority health program and public information campaign grants.
15 Higher Education Aids Board	787,600	787,600	Indian student assistance grant program for American Indian undergraduate or graduate students.
16 Higher Education Aids Board	404,000	404,000	Wisconsin Higher Education Grant (WHEG) program for tribal college students.
17 Historical Society	261,200	261,200	Northern Great Lakes Center operations funding.
18 Historical Society	62,900	127,600	Collection preservation storage facility.

<u>Agency</u>	<u>Program Revenue</u>		<u>Purpose</u>
	<u>2007-08</u>	<u>2008-09</u>	
19 Justice	\$708,400	\$708,400	County-tribal law enforcement programs: local assistance.
20 Justice	91,500	91,500	County-tribal law enforcement programs: state operations.
21 Justice	550,000	550,000	County law enforcement grant program.
22 Justice	700,000	700,000	Tribal law enforcement grant program.
23 Natural Resources	3,000,000	3,000,000	Transfer to the fish and wildlife account of the conservation fund.
24 Natural Resources	103,600	105,400	Management of an elk reintroduction program.
25 Natural Resources	162,700	163,100	Management of state fishery resources in off-reservation areas where tribes have treaty-based rights to fish.
26 Natural Resources	100,000	100,000	Payment to the Lac du Flambeau Band relating to certain fishing and sports licenses.
27 Natural Resources	1,196,900	1,216,400	State snowmobile enforcement program, safety training and fatality reporting.
28 Natural Resources	62,600	62,600	Reintroduction of whooping cranes.
29 Shared Revenue	0	0	Farmland tax relief credit payments by tribes with casinos associated with certain pari-mutuel racetracks. (No allocations are made in the 2007-09 biennium.)
30 Tourism	101,600	101,600	Limited-term employees to operate or staff Wisconsin travel information centers.
31 Tourism	9,149,400	9,149,400	General tourism marketing, including grants to nonprofit tourism promotion organizations and specific earmarks.
32 Tourism	32,300	32,300	Law enforcement services at the Kickapoo Valley Reserve.
33 University of Wisconsin System	261,700	260,100	Ashland full-scale aquaculture demonstration facility debt service payments.
34 University of Wisconsin System	402,100	402,100	Ashland full-scale aquaculture demonstration facility operational costs.
35 Veterans Affairs	56,000	56,000	Grants to assist American Indians in obtaining federal and state veterans benefits.
36 Veterans Affairs	75,800	75,800	American Indian services veterans benefits coordinator position.
37 Veterans Affairs	0	0	Operation of Wisconsin Veterans Museum. (No allocations are made in the 2007-09 biennium.)

<u>Agency</u>	<u>Program Revenue</u>		<u>Purpose</u>
	<u>2007-08</u>	<u>2008-09</u>	
38 Wisconsin Technical College System Board	\$600,000	\$600,000	Grants for work-based learning programs.
39 Workforce Development	<u>350,000</u>	<u>350,000</u>	Vocational rehabilitation services for Native American individuals and American Indian tribes or bands.
Subtotal (Non-Regulatory Items)	\$26,641,300	\$26,726,100	
40 Administration	\$1,811,200	\$1,811,200	General program operations for Indian gaming regulation under the compacts.
41 Justice	<u>131,600</u>	<u>131,600</u>	Investigative services for Indian gaming law enforcement.
Subtotal (Regulation/Enforcement)	\$1,942,800	\$1,942,800	
Total Appropriations	\$28,584,100	\$28,668,900	