



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #130

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

[LFB 2011-13 Budget Summary: Page 43, #1]

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 tribal 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 2010-11 these transfers total \$25,564,100 PR); (b) a DOA general program operations appropriation relating to Indian gaming regulation under the compacts (\$1,829,600 PR); and (c) a Department of Justice (DOJ) Indian gaming law enforcement appropriation (\$138,900 PR). Tribal gaming receipts remaining after these allocations are made are credited to the general fund. In 2009-10, general fund revenue from tribal gaming totaled \$25,094,700.

GOVERNOR

Appropriate \$26,952,300 in 2011-12 and \$26,953,600 in 2012-13 in tribal gaming revenue paid to the state under the tribal gaming compacts. The appropriations include: (a) allocations totaling \$24,975,800 in 2011-12 and \$24,977,100 in 2012-13 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 [\$1,825,100 annually], and tribal gaming law enforcement in the Department of Justice (DOJ) [\$151,400 annually].

Estimate tribal payments to the state for gaming in the 2011-13 biennium at \$53,500,800 in 2011-12 and \$54,660,800 in 2012-13. The general fund condition statement included in the bill shows tribal gaming general fund revenue totaling \$25,700,700 in 2011-12 and \$26,882,300 in 2012-13, for a biennial total of \$52,583,000. The calculation for the general fund tribal revenue under the bill is summarized in Table 1.

TABLE 1

2011-13 Tribal Gaming General Fund Revenue

	<u>2011-12</u>	<u>2012-13</u>
1 Estimated Tribal Payments	\$53,500,800	\$54,660,800
2 Miscellaneous Revenue	<u>130,000</u>	<u>130,000</u>
3 Total Revenue	\$53,630,800	\$54,790,800
4 Program Allocations to State Agencies	\$26,952,300	\$26,953,600
5 Program Reserves	<u>41,500</u>	<u>18,600</u>
6 Total Expenditures	\$26,993,800	\$26,972,200
7 Net Tribal Revenue	\$26,637,000	\$27,818,600
8 Net Revenue Adjustment*	-\$936,300	-\$936,300
9 Tribal Gaming General Fund Revenue	\$25,700,700	\$26,882,300

* The annual adjustment amounts (line 8) reflect the reductions to the tribal gaming allocation appropriations relating to increased employee contributions to pension and health insurance benefits, supplies and services reductions, and the elimination of long-term vacancies. Because the allocations to state agencies (line 4) already include these savings, the net tribal revenue amounts (line 7) also reflect the savings. However, DOA accounted for the savings as part of a statewide GPR-earned amount in its calculations for the budget bill. Therefore, the adjustment amount was subtracted here so as not to double count the savings associated with these items.

DISCUSSION POINTS

1. Tribal payments to the state, required under 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 estimated tribal payments to the state and the general fund revenue projections for 2011-12 and 2012-13 under the bill. It also provides a brief overview of the appropriations of tribal gaming revenue to state agencies in the 2011-13 biennium.

2. The estimate of tribal payments to the state under the bill (\$53,500,800 in 2011-12 and \$54,660,800 in 2012-13) is based on an overall estimate of casino net-win revenue for each tribe. State payments are then estimated based on the percent of net revenue rates applicable to each tribe in the next two years, and adjusted for certain local tribal payments that affect the state payments. According to administration officials, the casino net win estimates are based on expected personal income growth and an assessment of the maturity of the gaming market in Wisconsin, including revenue growth rates in recent years and the current slowdown in casino expansions. Based on these factors, the estimates under the bill for overall casino net win reflect a growth rate of approximately 1.8% annually in the 2011-13 biennium.

3. Until recent years, annual net-win casino revenues 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 ten years is shown in Table 2. The declines in 2009 and 2010 reflect the economic downturn in 2008.

TABLE 2

**Tribal Casino Net Gaming Revenue - 2001-2008
(In Millions)**

<u>Year</u>	<u>Net Revenue</u>	<u>Percent Change</u>
2001	\$904.1	
2002	970.4	7.3%
2003	993.6	2.4
2004	1,117.9	12.5
2005	1,150.6	2.9
2006	1,207.2	4.9
2007	1,224.0	1.4
2008	1,224.2	0.0
2009	1,188.0	-3.0
2010	1,177.5	0.0

4. While overall casino revenues declined in 2009 and 2010, casino revenues in 2010 showed signs of turnaround for most tribes. While the economy continues to be sluggish and recovery in the employment area remains a concern, there appears to be justification for projecting very modest growth in overall casino revenues in the next two years (as DOA did under the bill). This office performed an independent analysis of casino net win for the 2011-13 biennium and arrived at revenue estimates similar to the DOA estimates. This analysis also included a reestimate of state payments by the tribes, miscellaneous state revenue relating to tribal gaming, and program reserves for tribal-funded appropriations with staffing costs. The reestimates result in net tribal revenue (revenue minus program allocations and reserves) of \$27,717,200 in 2011-12 and \$29,253,400 in 2012-13.

5. As noted in Table 1, these net amounts are adjusted under the bill to reflect the reductions to the tribal gaming allocation appropriations for budgetary items relating to increased

employee contributions to pension and health insurance benefits, supplies and services reductions, and the elimination of long-term vacancies. Because the allocations to state agencies (as shown in Table 3 below) already include these savings, the net tribal revenue amounts also reflect the savings. As noted above, DOA accounted for the savings as part of a statewide GPR-earned amount in its calculations for the budget bill. Therefore, this adjustment amount is subtracted from the net revenue amount so as not to double count the savings associated with these items.

In a budget errata report for the bill, DOA indicates that \$6,700 annually was incorrectly added to the adjustment total for tribal gaming relating to these items. Therefore, the -\$936,300 adjustment figure for each year shown in Table 1 should be stated as -\$929,600 annually. With this correction, and the reestimates described above, modified general fund revenue from tribal gaming is calculated for the 2011-13 biennium at \$26,787,600 in 2011-12 and \$28,323,800 in 2012-13. The reestimated amounts are \$1,086,900 higher in 2011-12 and \$1,441,500 higher in 2012-13 than the bill amounts. These reestimates are shown in Table 3.

TABLE 3

**2011-13 Tribal Gaming General Fund Revenue
Reestimated**

	<u>2011-12</u>	<u>2012-13</u>
1 Estimated Tribal Payments	\$54,075,600	\$55,614,900
2 Miscellaneous Revenue	<u>751,200</u>	<u>751,200</u>
3 Total Revenue	\$54,826,800	\$56,366,100
4 Program Allocations to State Agencies	\$26,952,300	\$26,953,600
5 Program Reserves	<u>157,300</u>	<u>159,100</u>
6 Total Expenditures	\$27,109,600	\$27,112,700
7 Net Tribal Revenue	\$27,717,200	\$29,253,400
8 Net Revenue Adjustment	-\$929,600	-\$929,600
9 Tribal Gaming General Fund Revenue	\$26,787,600	\$28,323,800
10 Governor -- SB 27/AB 40	\$25,700,700	\$26,882,300
11 Change to Governor	\$1,086,900	\$1,441,500

* The annual adjustment amounts (line 8) reflect the reductions to the tribal gaming allocation appropriations relating to increased employee contributions to pension and health insurance benefits, supplies and services reductions, and the elimination of long-term vacancies, corrected to reflect budget errata report form DOA. Because the allocations to state agencies (line 4) already include these savings, the net tribal revenue amounts (line 7) also reflect the savings. However, DOA accounted for the savings as part of a statewide GPR-earned amount in its calculations for the budget bill. Therefore, the adjustment amount was subtracted here so as not to double count the savings associated with these items.

6. Under the bill, the Governor recommends the appropriation of tribal gaming revenue to 16 state agencies, in 44 program areas, including the DOA regulation and DOJ enforcement appropriations. Each of these program areas is listed and briefly described in the attachment to this paper. Where there is a net fiscal change associated with any of these appropriations (other than standard budget adjustments), it is included under the budget summaries of the affected agency.

Of these 44 program areas, 41 appropriation accounts are authorized under current law. Two new appropriations from tribal gaming revenue reflect current law allocations that are being transferred under the bill. First, an allocation under current law to the Arts Board for state aid for American Indian arts would be provided under the bill to the Department of Tourism to reflect the elimination of the Arts Board and the transfer of certain of its functions to Tourism. Second, an allocation to the UW System under current law for physician and health care provider loan assistance would be provided to the UW-Madison under the bill to reflect the separation of UW-Madison from the UW System.

The current law allocations of tribal gaming funding to the Department of Commerce (totaling \$1,271,900 in 2010-11) for certain technical assistance relating to economic development and marketing functions, and economic development and diversification grants and loans to benefit Native Americans would be deleted under the bill to reflect the elimination of the Department. The bill would allocate \$79,500 annually for tribal governmental services and technical assistance to an existing appropriation in DOA for materials and services to state agencies and certain districts.

One program area identified in the table [Item # 30] is not appropriated funding in the 2011-13 biennium, but is an existing appropriation account under current law that can only be funded with tribal gaming revenue.

MODIFICATION

Based on the reestimates discussed above, increase the GPR-Tribal amounts (general fund revenue) under the bill by \$1,086,900 in 2011-12 and \$1,441,500 in 2012-13.

Change to Bill Revenue	
GPR	\$2,528,400

Prepared by: Art Zimmerman
Attachment

ATTACHMENT

2011-13 Tribal Gaming Revenue Appropriations Governor

	<u>Agency</u>	<u>Program Revenue</u>		
		<u>2011-12</u>	<u>2012-13</u>	
1	Administration	\$563,200	\$563,200	County management assistance grant program.
2	Administration	247,500	247,500	UW-Green Bay and Oneida Tribe programs.
3	Administration	50,000	50,000	American Indian tribal community reintegration program.
4.	Administration	79,500	79,500	Tribal governmental services and technical assistance.
5	Children and Families	395,000	395,000	Indian child high-cost out-of-home care placements.
6	Corrections	75,000	75,000	Indian juvenile out-of-home care placements.
7	Health Services	445,500	445,500	Elderly nutrition; home-delivered and congregate meals.
8	Health Services	106,900	106,900	American Indian health projects.
9	Health Services	242,000	242,000	Indian aids for social and mental hygiene services.
10	Health Services	445,500	445,500	Indian substance abuse prevention education.
11	Health Services	961,700	961,700	Medical assistance matching funds for tribal outreach positions and federally qualified health centers (FQHC).
12	Health Services	712,800	712,800	Health services: tribal medical relief block grants.
13	Health Services	133,600	133,600	Minority health program and public information campaign grants.
14	Health Services	22,500	22,500	American Indian Diabetes and Control
15	Higher Education Aids Board	779,700	779,700	Indian student assistance grant program for American Indian undergraduate or graduate students.
16	Higher Education Aids Board	454,200	454,200	Wisconsin Higher Education Grant (WHEG) program for tribal college students.
17	Historical Society	239,700	239,700	Northern Great Lakes Center operations funding.
18	Historical Society	199,100	199,100	Collection preservation storage facility.

<u>Agency</u>	<u>Program Revenue</u>		
	<u>2011-12</u>	<u>2012-13</u>	
19 Justice	\$631,200	\$631,200	County-tribal law enforcement programs: local assistance.
20 Justice	92,600	92,600	County-tribal law enforcement programs: state operations.
21 Justice	490,000	490,000	County law enforcement grant program.
22 Justice	695,000	695,000	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	92,100	92,100	Management of an elk reintroduction program.
25 Natural Resources	167,600	167,600	Management of state fishery resources in off-reservation areas where tribes have treaty-based rights to fish.
26 Natural Resources	84,500	84,500	Payment to the Lac du Flambeau Band relating to certain fishing and sports licenses.
27 Natural Resources	1,197,900	1,197,900	State snowmobile enforcement program, safety training and fatality reporting.
28 Natural Resources	62,300	62,300	Reintroduction of whooping cranes.
29 Public Instruction	222,800	222,800	Tribal language revitalization grants.
30 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 2011-13 biennium.)
31 Tourism	160,000	160,000	Grants to local organizations and governments to operate regional tourist information centers.
32 Tourism	9,397,900	9,397,900	General tourism marketing, including grants to nonprofit tourism promotion organizations and specific earmarks.
33 Tourism	30,100	30,100	Law enforcement services at the Kickapoo Valley Reserve.
34 Tourism	24,900	24,900	State aid for the arts.
35 Transportation	247,500	247,500	Elderly transportation grants.
36 University of Wisconsin System	263,400	264,700	Ashland full-scale aquaculture demonstration facility debt service payments.
37 University of Wisconsin System	417,500	417,500	Ashland full-scale aquaculture demonstration facility operational costs.

<u>Agency</u>	<u>Program Revenue</u>		
	<u>2011-12</u>	<u>2012-13</u>	
38 University of Wisconsin-Madison	\$488,700	\$488,700	Physician and health care provider loan assistance.
39 Veterans Affairs	61,200	61,200	Grants to assist American Indians in obtaining federal and state veterans benefits.
40 Veterans Affairs	86,300	86,300	American Indian services veterans benefits coordinator position.
41 Wisconsin Technical College System Board	594,000	594,000	Grants for work-based learning programs.
42 Workforce Development	<u>314,900</u>	<u>314,900</u>	Vocational rehabilitation services for Native American individuals and American Indian tribes or bands.
Subtotal (Non-Regulatory Items)	\$24,975,800	\$24,977,100	
43 Administration	\$1,825,100	\$1,825,100	General program operations for Indian gaming regulation under the compacts.
44 Justice	<u>151,400</u>	<u>151,400</u>	Investigative services for Indian gaming law enforcement.
Subtotal (Regulation/Enforcement)	\$1,976,500	\$1,976,500	
Total Appropriations	\$26,952,300	\$26,953,600	