



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #135

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

[LFB 2013-15 Budget Summary: Page 53, #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 2012-13 these transfers total \$25,227,100 PR); (b) a DOA general program operations appropriation relating to Indian gaming regulation under the compacts (\$1,825,100 PR); and (c) a Department of Justice (DOJ) Indian gaming law enforcement appropriation (\$151,400 PR). Tribal gaming receipts remaining after these allocations are made are credited to the general fund. In 2011-12, general fund revenue from tribal gaming totaled \$24,251,700.

GOVERNOR

Appropriate \$27,317,300 in 2013-14 and \$27,291,900 in 2014-15 in tribal gaming revenue paid to the state under the tribal gaming compacts. The appropriations include: (a) allocations totaling \$25,182,000 in 2013-14 and \$25,182,500 in 2014-15 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 [\$1,978,900 in 2013-14 and \$1,952,900 in 2014-15], and tribal gaming law enforcement in the Department of Justice (DOJ) [\$156,400 in 2013-14 and \$156,500 in 2014-15].

Estimate tribal payments to the state for gaming in the 2013-15 biennium at \$52,994,900 in 2013-14 and \$53,789,800 in 2014-15. The general fund condition statement included in the bill shows tribal gaming general fund revenue totaling \$25,985,400 in 2013-14 and \$26,766,700 in 2014-15, for a biennial total of \$52,752,100. The calculation for the general fund tribal revenue under the bill is summarized in Table 1.

TABLE 1

2013-15 Tribal Gaming General Fund Revenue

	<u>2013-14</u>	<u>2014-15</u>
Estimated Tribal Payments	\$52,994,900	\$53,789,800
Unobligated Funds Reversions	<u>392,700</u>	<u>392,700</u>
Total Revenue	\$53,387,600	\$54,182,500
Program Allocations to State Agencies	\$27,362,400	\$27,336,400
Program Reserves	<u>39,800</u>	<u>79,400</u>
Total Expenditures	\$27,402,200	\$27,415,800
Tribal Gaming General Fund Revenue	\$25,985,400	\$26,766,700

It should be noted that the program allocations to state agencies displayed in Table 1 do not reflect the Governor's recommended allocations for the 2013-15 biennium in AB 40. Allocations to state agencies, including allocations to DOA and DOJ for regulation and law enforcement, total \$27,317,300 in 2013-14 and \$27,291,900 in 2014-15 under the bill. Further, program reserves shown in Table 1 are agency estimates of the potential supplemental funding needs for staff at DOA and the Department of Justice who are responsible for gaming regulation and law enforcement.

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 2013-14 and 2014-15 under the bill. It also provides a brief overview of the appropriations of tribal gaming revenue to state agencies in the 2013-15 biennium.

2. The estimate of tribal payments to the state under the bill (\$52,994,900 in 2013-14 and \$53,789,800 in 2014-15) is based on an assumed growth rate that approximates recent growth

in aggregated casino net win revenue for all tribes (1% growth in 2013-14 and 1.5% in 2014-15).

3. Until recent years, annual net win casino revenue 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 10 years is shown in Table 2. The decline in revenue from 2008 to 2010 reflects the national economic downturn.

TABLE 2

**Tribal Casino Net Gaming Revenue - 2002-2011
(In Millions)**

<u>Year</u>	<u>Net Revenue</u>	<u>Percent Change</u>
2002	\$970.4	
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	1,146.3	-3.5
2011	1,157.5	1.0

4. Although net revenue declined in 2009 and 2010, overall casino revenues increased from 2010 to 2011. While general signs of economic recovery are visible, growth of tribal gaming revenue will likely depend on the pace at which economic conditions improve. This office performed an independent analysis of casino net win for the 2013-15 biennium and arrived at revenue estimates similar to the DOA estimates. The analysis included a reestimate of state payments by the tribes based on forecasted economic growth. Estimates were calculated using a growth rate in payments to the state of 1.5% in each year of the 2013-15 biennium. The estimate of net year-end reversions from appropriations with unexpended funds provided by DOA is unchanged. However, allocations to state agencies were updated to reflect the Governor's recommended allocations under the bill. Finally, program reserves were adjusted. Program reserves in Table 1 represent the potential supplemental funding needs for staff at DOA and the Department of Justice who are responsible for gaming regulation and law enforcement. The program reserves shown in Table 3 include estimated reserves for staff of all tribal PR-funded appropriations, totaling \$72,300 in 2013-14 and \$143,900 in 2014-15. The above changes result in net tribal revenue of \$26,260,300 in 2013-14 and \$27,013,000 in 2014-15, as shown in Table 3 below. These amounts would be deposited into the general fund as GPR-Earned.

TABLE 3

**2013-15 Tribal Gaming General Fund Revenue
Reestimated**

	<u>2013-14</u>	<u>2014-15</u>
Estimated Tribal Payments	\$53,257,200	\$54,056,100
Unobligated Funds Reversions	<u>392,700</u>	<u>392,700</u>
Total Revenue	\$53,649,900	\$54,448,800
Program Allocations to State Agencies	\$27,317,300	\$27,291,900
Program Reserves	<u>72,300</u>	<u>143,900</u>
Total Expenditures	\$27,389,600	\$27,435,800
Tribal Gaming General Fund Revenue	\$26,260,300	\$27,013,000

5. Under the bill, the Governor recommends the appropriation of tribal gaming revenue to 15 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 allocations, all 44 are to appropriation accounts authorized under current law [item #5 of the attachment is currently an appropriation within the DOA Office of Justice Assistance, which the Governor recommends be transferred to the Department of Corrections]. Of the 44 allocations, 30 are identical amounts to those provided in the 2011-13 biennium. Of the 14 allocations that changed, nine were affected by standard budget adjustments only [identified in the attachment as items #18, 19, 21, 25, 26, 28, 29, 41, and 45]. The remaining five are: (a) Tourism general marketing [item #33, reduction of \$405,000 annually]; (b) Tourism Kickapoo Valley law enforcement [item #34, increases of \$15,200 annually for a 0.25 FTE position increase, \$16,700 annually for an increase in LTE salaries and fringe benefits, \$6,000 annually for supplies and services, and \$800 annually for overtime]; (c) UW aquaculture debt service [item #37, an increase of \$300 in 2013-14 and \$800 in 2014-15 for debt service payment increases]; (d) Veterans Affairs American Indian grants, renamed American Indian grants and tribal college tuition reimbursements [item #40, an increase of \$405,000 annually for the reimbursement of veterans for the cost of tuition at tribal colleges]; and (e) Administration Indian gaming operations [item #44, an increase of \$107,000 in 2013-14 and \$81,000 in 2014-15 for operations improvements]. One program area identified in the table [item #31] is not appropriated funding in the 2013-15 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 \$274,900 in 2013-14 and \$246,300 in 2014-15.

Change to Bill Revenue	
GPR-Tribal	\$521,200

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Attachment

ATTACHMENT

2013-15 Tribal Gaming Revenue Appropriations

<u>Agency</u>	<u>Program Revenue</u>		<u>Purpose</u>
	<u>2013-14</u>	<u>2014-15</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 assistance grants.
3 Administration	79,500	79,500	Tribal governmental services and technical assistance.
4 Children and Families	395,000	395,000	Indian child high-cost out-of-home care placements.
5 Corrections	50,000	50,000	American Indian tribal community reintegration program.
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 Health Services	250,000	250,000	Reimbursements for high-cost mental health placements by tribal courts.
16 Higher Education Aids Board	779,700	779,700	Indian student assistance grant program for American Indian undergraduate or graduate students.
17 Higher Education Aids Board	454,200	454,200	Wisconsin Higher Education Grant (WHEG) program for tribal college students.
18 Historical Society	230,100	230,100	Northern Great Lakes Center operations funding.
19 Historical Society	210,300	210,300	Collection preservation storage facility.
20 Justice	631,200	631,200	County-tribal law enforcement programs: local assistance.

<u>Agency</u>	<u>Program Revenue</u>		
	<u>2013-14</u>	<u>2014-15</u>	
21 Justice	70,100	70,100	County-tribal law enforcement programs: state operations.
22 Justice	490,000	490,000	County law enforcement grant program.
23 Justice	695,000	695,000	Tribal law enforcement grant program.
24 Natural Resources	3,000,000	3,000,000	Transfer to the fish and wildlife account of the conservation fund.
25 Natural Resources	92,200	92,200	Management of an elk reintroduction program.
26 Natural Resources	150,600	150,600	Management of state fishery resources in off-reservation areas where tribes have treaty-based rights to fish.
27 Natural Resources	84,500	84,500	Payment to the Lac du Flambeau Band relating to certain fishing and sports licenses.
28 Natural Resources	1,168,700	1,168,700	State snowmobile enforcement program, safety training and fatality reporting.
29 Natural Resources	75,200	75,200	Reintroduction of whooping cranes.
30 Public Instruction	222,800	222,800	Tribal language revitalization grants.
31 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 2013-15 biennium.)
32 Tourism	160,000	160,000	Grants to local organizations and governments to operate regional tourist information centers.
33 Tourism	8,967,100	8,967,100	General tourism marketing, including grants to nonprofit tourism promotion organizations and specific earmarks.
34 Tourism	66,400	66,400	Law enforcement services at the Kickapoo Valley Reserve.
35 Tourism	24,900	24,900	State aid for the arts.
36 Transportation	247,500	247,500	Elderly transportation grants.
37 University of Wisconsin System	262,600	263,100	Ashland full-scale aquaculture demonstration facility debt service payments.
38 University of Wisconsin System	417,500	417,500	Ashland full-scale aquaculture demonstration facility operational costs.
39 University of Wisconsin-Madison	488,700	488,700	Physician and health care provider loan assistance.
40 Veterans Affairs	466,200	466,200	Grants to assist American Indians in obtaining federal and state veterans benefits and to reimburse veterans for the cost of tuition at tribal colleges.
41 Veterans Affairs	86,900	86,900	American Indian services veterans benefits coordinator position.
42 Wisconsin Technical College System Board	594,000	594,000	Grants for work-based learning programs.

<u>Agency</u>	<u>Program Revenue</u>		<u>Purpose</u>
	<u>2013-14</u>	<u>2014-15</u>	
43 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)	\$25,182,000	\$25,182,500	
44 Administration	1,978,900	1,952,900	General program operations for Indian gaming regulation under the compacts.
45 Justice	<u>156,400</u>	<u>156,500</u>	Investigative services for Indian gaming law enforcement.
Subtotal (Regulation/Enforcement)	\$2,135,300	\$2,109,400	
Total Appropriations	\$27,317,300	\$27,291,900	