



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #581

### **Native American Tourism of Wisconsin (Tourism)**

[LFB 2021-23 Budget Summary: Page 51, #3, and Page 558, #3]

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#### **CURRENT LAW**

The Department of Administration (DOA) coordinates with tribal governments through its Divisions of Intergovernmental Relations and Gaming. The Division of Intergovernmental Relations provides services and resources to strengthen the relationship between the state and tribal governments, while the Division of Gaming administers regulatory activities under state-tribal gaming compacts. Tribal governments pay a portion of gaming revenues to the state based on compact provisions, and gaming revenues support programs at various state agencies.

Among the programs supported by tribal gaming revenues is the Department of Tourism's general marketing of the state's destinations and attractions. Tourism is appropriated \$13.3 million for marketing activities in 2020-21, of which \$9,127,100 is from tribal gaming revenues. Tourism currently provides \$200,000 of this funding annually to support the Great Lakes Inter-Tribal Council's (GLITC) Native American Tourism of Wisconsin (NATOW) initiative.

#### **DISCUSSION POINTS**

1. Tribal gaming revenue paid to the state is based on provisions under state-tribal compacts. The first draw on gaming revenue is to state agencies for programs that benefit the tribes and promote tourism. Remaining revenues are deposited in the general fund. Under the compacts, payments to the state may be reduced in the event of a disaster that affects gaming operations. In 2019-20, payments were postponed because of casino closures during the COVID-19 pandemic. Tribes are scheduled to submit the postponed 2019-20 payment in three installments (in 2021-22, 2022-23, and 2023-24). It is estimated that revenues, including postponed payments, will total \$55.7 million in 2021-22 and \$61.5 million in 2022-23.

2. Currently, the Department of Tourism administers \$200,000 each year under contract with NATOW, for marketing tribal destinations and producing promotional materials. Before the contract's creation in 2017, the Department of Tourism allocated \$200,000 annually to NATOW under a statutory earmark. Presently, Tourism allocates these funds as a sole-source contract. The current contract expires June 30, 2021, but is typically renewed each year. Tourism believes NATOW is best poised to conduct these activities because it has staff with the relational experience, and cultural and organizational knowledge necessary for effective collaboration with Native American tribes for marketing purposes.

3. Under the current 2020-21 contract, funding is allocated as follows: (a) \$70,000 for account executive services; (b) \$55,000 for individual tribal marketing assistance; (c) \$55,000 for marketing and promotional expenses; (d) \$7,500 for tribal coordination and education; (e) \$6,500 for account executive travel expenses; and (f) \$6,000 for an industry relations conference.

4. Agreements between the state and most of the tribes that operate gaming facilities include ancillary memoranda of understanding (MOUs) related to government-to-government matters. In most cases, these MOUs specify that tribal gaming revenues, other than payments made to reimburse the state for the costs of regulating gaming and providing services and assistance, should be used for the following four purposes: (a) economic development initiatives to benefit 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.

5. In the 2021-23 agency budget requests, DOA and Tourism asked that management of the NATOW marketing contract be transferred to DOA. The contract would continue to be funded by tribal gaming revenues and administered as a grant to the Great Lakes Inter-Tribal Council. The Department of Administration has an existing relationship with GLITC through its technical assistance program, which fosters economic development on tribal lands. Under the agency budget request, tribal gaming funds would be transferred to DOA's existing appropriation for American Indian economic development for contract administration.

6. Given DOA's existing relationship with Wisconsin's tribal governments and GLITC, the transfer of the marketing contract from Tourism to DOA could create efficiencies by consolidating state-tribal relations under one state agency. Therefore, the Committee could transfer the contract to DOA. As under the agency budget request, the contract would continue to be provided \$200,000 PR annually and NATOW would continue to provide its current level of services to tribal members. [Alternative 1]

7. 2021 Assembly Bill 68/Senate Bill 111 would transfer administration of the contract to DOA and increase the marketing contract with NATOW from \$200,000 to \$400,000 annually, which would decrease Tourism's overall marketing funding by the same amount. The bill would also create an annual PR appropriation under DOA for American Indian tourism marketing and require DOA to award the amount appropriated to the Great Lakes Inter-Tribal Council for tourism marketing. [Alternative 2]

8. The administration indicates that NATOW requested increased funding to help with the

economic recovery of tribal tourism following the COVID-19 pandemic. In its request, NATOW notes that thousands of employees who work for the tribes have been furloughed or laid off as a result of the pandemic, and lost revenue has severely disrupted tribal communities. Funds would be used to assess the impact of the pandemic on tribal tourism, identify relevant recovery initiatives, develop unified marketing strategies, provide technical assistance and capacity building in the tourism and hospitality sectors, and build organizational capacity to better assist members with advertising and economic development.

9. It should be noted that the promotion of tourism within Wisconsin is included as a priority use of tribal gaming revenues in the state's written agreements with the tribes. It also appears that there will be sufficient tribal gaming revenue to support the increase. Therefore, the Committee could approve the request to transfer administration of the NATOW marketing contract to DOA and provide DOA an increase of \$200,000 PR annually for the contract without affecting Tourism marketing appropriations. [Alternative 3] The Committee could also transfer \$200,000 PR and administration of the contract and provide an additional \$200,000 PR to DOA each year. [Alternative 4] Either alternative could accomplish the transfer of the contract administration to DOA, while lessening or eliminating the decrease to Tourism marketing appropriations contained in AB 68/SB 111.

10. Because funding for NATOW would continue to be supportive of tribal tourism recovery and promotion efforts, the contract could be viewed as more appropriate for Tourism to continue administering. The Committee could maintain the NATOW contract with Tourism and appropriate an additional \$200,000 tribal gaming PR each year for NATOW. [Alternative 5]

11. The federal American Rescue Plan Act of 2021 (ARPA) provides one-time funding of \$20 billion to tribal governments nationwide. Funds may be used to respond to the COVID-19 emergency and address the pandemic's economic effects, including through aid to industries such as tourism and hospitality. The U.S. Department of the Treasury must allocate \$1.0 billion equally among tribal governments (approximately \$1.7 million for each of the 574 federally-recognized tribes), and has discretion to allocate the remaining \$19.0 billion. Funds will be available through December 31, 2024. While it is not yet known how much tribal governments in Wisconsin will receive under ARPA, it is possible that these funds could be used to help the tourism industry recover from the COVID-19 pandemic. Note further that the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act provided \$15.3 million in direct assistance to federally-recognized tribes in Wisconsin in 2020. In addition, from the state's CARES Act allocation, the Governor provided \$11 million in tribal government aid grants (\$1.0 million per tribe). Given federal funding provided for tribes under the CARES Act and ARPA, the Committee could take no action. [Alternative 6] Under this alternative, the NATOW contract would remain under Tourism.

## **ALTERNATIVES**

1. Transfer administration of the Native American Tourism of Wisconsin marketing contract from Tourism to DOA and transfer \$200,000 PR annually in tribal gaming revenue to DOA's existing appropriation for American Indian economic development. Require DOA to award the amount appropriated to the Great Lakes Inter-Tribal Council.

<b>ALT 1</b>	<b>Change to Base</b>
PR (Tourism)	- \$400,000
PR (DOA)	<u>400,000</u>
Total	\$0

2. Transfer administration of the Native American Tourism of Wisconsin marketing contract and \$400,000 PR annually in tribal gaming revenue from Tourism to DOA. Create an annual appropriation in DOA for American Indian tourism marketing and require DOA to award the amount appropriated to the Great Lakes Inter-Tribal Council.

<b>ALT 2</b>	<b>Change to Base</b>
PR (Tourism)	- \$800,000
PR (DOA)	<u>800,000</u>
Total	\$0

3. Transfer administration of the Native American Tourism of Wisconsin marketing contract from Tourism to DOA. Create an annual appropriation in DOA for American Indian tourism marketing and provide \$200,000 PR annually in tribal gaming revenue. Require DOA to award the amount appropriated to the Great Lakes Inter-Tribal Council. Reduce GPR-Rev by \$200,000 annually associated with the increased appropriation.

<b>ALT 3</b>	<b>Change to Base</b>
PR (DOA)	\$400,000
GPR-Rev	- \$400,000

4. Transfer administration of the Native American Tourism of Wisconsin marketing contract and \$200,000 PR annually in tribal gaming revenue from Tourism to DOA. Create an annual appropriation in DOA, provided \$400,000 PR annually for American Indian tourism marketing. Require DOA to award the amount appropriated to the Great Lakes Inter-Tribal Council. Reduce GPR-Rev by \$200,000 annually associated with the increased appropriation.

<b>ALT 4</b>	<b>Change to Base</b>
PR (Tourism)	- \$400,000
PR (DOA)	<u>800,000</u>
Total	\$400,000
GPR-Rev	- \$400,000

5. Maintain the Department of Tourism's administration of the Native American Tourism of Wisconsin contract. Direct Tourism to provide \$400,000 PR annually from tribal gaming revenues for Native American tourism marketing, and provide \$200,000 PR each year to Tourism's tribal

gaming PR marketing appropriation. Reduce GPR-Rev by \$200,000 annually associated with the increased appropriation.

<b>ALT 5</b>	<b>Change to Base</b>
PR (Tourism)	\$400,000
GPR-Rev	- \$400,000

6. Take no action. The Native American Tourism of Wisconsin contract would remain under the Department of Tourism.

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