

## REVENUE

<b>Budget Summary</b>							
Fund	2020-21 Base Year Doubled	2021-23 Governor	2021-23 Jt. Finance	2021-23 Legislature	2021-23 Act 58	Act 58 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$382,254,200	\$388,518,300	\$374,600,800	\$374,600,800	\$374,600,800	-\$7,653,400	- 2.0%
PR	43,026,600	43,745,900	42,667,900	42,667,900	42,667,900	- 358,700	- 0.8
SEG	<u>31,320,400</u>	<u>44,660,300</u>	<u>60,193,500</u>	<u>60,193,500</u>	<u>60,193,500</u>	<u>28,873,100</u>	92.2
<b>TOTAL</b>	<b>\$456,601,200</b>	<b>\$476,924,500</b>	<b>\$477,462,200</b>	<b>\$477,462,200</b>	<b>\$477,462,200</b>	<b>\$20,861,000</b>	<b>4.6%</b>

<b>FTE Position Summary</b>						
Fund	2020-21 Base	2022-23 Governor	2022-23 Jt. Finance	2022-23 Legislature	2022-23 Act 58	Act 58 Change
						Over 2020-21 Base
GPR	953.08	971.08	950.15	950.15	950.15	- 2.93
PR	136.50	136.50	135.40	135.40	135.40	- 1.10
SEG	<u>92.45</u>	<u>93.45</u>	<u>92.45</u>	<u>92.45</u>	<u>92.45</u>	<u>0.00</u>
<b>TOTAL</b>	<b>1,182.03</b>	<b>1,201.03</b>	<b>1,178.00</b>	<b>1,178.00</b>	<b>1,178.00</b>	<b>- 4.03</b>

### Budget Change Items

### Departmentwide

#### 1. STANDARD BUDGET ADJUSTMENTS [LFB Paper 101]

	<b>Governor (Chg. to Base)</b>		<b>Jt. Finance/Leg. (Chg. to Gov)</b>		<b>Net Change</b>	
	<b>Funding Positions</b>		<b>Funding Positions</b>		<b>Funding Positions</b>	
GPR-REV	-\$4,031,700		\$0		-\$4,031,700	
PR-REV	- 5,100,000		0		- 5,100,000	
GPR	\$873,200	- 1.00	-\$1,197,800	0.00	-\$324,600	- 1.00
PR	- 598,400	- 10.00	0	0.00	- 598,400	- 10.00
SEG	<u>730,500</u>	<u>0.00</u>	<u>- 83,800</u>	<u>0.00</u>	<u>646,700</u>	<u>0.00</u>
<b>Total</b>	<b>\$1,005,300</b>	<b>-11.00</b>	<b>-\$1,281,600</b>	<b>0.00</b>	<b>-\$276,300</b>	<b>- 11.00</b>

**Governor:** Provide adjustments to the base budget for: (a) turnover reduction (-\$1,797,100 GPR and -\$125,800 SEG annually); (b) removal of noncontinuing elements from the base (-\$49,000 GPR and -\$578,900 PR and -2.00 PR positions in 2021-22 and -\$65,300 GPR and -\$738,800 PR and -1.00 GPR and -10.00 PR positions in 2022-23); (c) full funding of continuing position salaries and fringe benefits (\$2,385,100 GPR, \$298,400 PR, and \$470,400 SEG annually); (d) reclassifications and semiautomatic pay progression (\$27,200 PR and \$12,000 SEG in 2021-22 and \$99,600 PR and \$29,300 SEG in 2022-23); (e) full funding of lease and directed moves costs (-\$96,800 GPR and -\$2,300 PR in 2021-22 and -\$91,700 GPR and -\$2,000 PR in 2022-23); and (f) minor transfers within the same alpha appropriation. [A technical change to the budget system is needed to remove project positions in 2021-22 that expire on September 31, 2021.]

According to the Department of Revenue (DOR), eight of the PR positions that would be removed under standard budget adjustments are project positions provided in 2017 Act 59 (the 2017-19 biennial budget) to increase debt collection activity for the statewide debt collection (SDC) program. The positions include seven debt collection agents, including one lead worker, and one support staff. Debts collected by DOR are remitted to the respective state agency or governmental entity. Additionally, fees are imposed on debtors and collected by the Department to offset its administrative expenses for this program. At the end of each fiscal year, any fee revenue exceeding DOR's administrative costs transfers to the general fund. DOR estimates that eliminating these eight positions would: (a) reduce fees collected by DOR by \$2,200,000 PR-REV in 2021-22 and \$2,900,000 PR-REV in 2022-23; (b) reduce program expenditures by \$454,200 PR in 2021-22 and \$614,100 PR in 2022-23; and (c) reduce the year end transfer to the general fund by an estimated \$1,745,800 GPR-REV in 2021-22 and \$2,285,900 GPR-REV in 2022-23. DOR also estimates a loss of approximately \$14 million in annual debts collected and remitted to agency partners as a result of eliminating these positions.

Additionally, DOR notes that the two other expiring PR project positions that would be removed under standard budget adjustments are estimated to reduce the amount of unclaimed property returned to owners by between \$5 million and \$10 million, annually. Under Article X, Section 2 of the Wisconsin Constitution, the clear proceeds of all fines and forfeitures (including unclaimed and escheated property) are deposited in the Common School Fund. Therefore, the expected decrease in unclaimed property being returned to its owners would result in a corresponding increase in revenue to the Common School Fund, likely beginning in fiscal year 2022-23. It should be noted that these two positions were first authorized under the 2005-07 biennial budget bill and have been extended or otherwise reauthorized under each subsequent budget bill.

**Joint Finance/Legislature:** Include provision with the following modifications. Remove 1.00 GPR and 8.00 PR expiring project positions in 2021-22 that were not removed under the Governor's provisions. Increase the rate used to calculate turnover reduction from 3% to 4% for all appropriations subject to a 3% turnover rate under the Governor's recommended budget. Reduce funding under the turnover reduction standard budget adjustment by \$598,900 GPR and \$41,900 SEG annually.

**2. STATEWIDE DEBT COLLECTION POSITIONS [LFB Paper 540]**

		Funding	Positions
GPR-REV	\$4,031,700		
PR-REV	5,100,000		
PR	\$1,068,300		8.00

**Governor:** Provide \$454,200 in 2021-22 and \$614,100 and 8.00 FTE permanent positions in 2022-23 to DOR's collection of taxes -- debt collection appropriation, to assist in the collection of debts owed to state and local governments.

The 8.00 project positions provided for the SDC program under 2017 Act 59 are scheduled to expire on September 30, 2021. The administration indicates that the 8.00 permanent FTE positions would replace the expiring project positions. Authorization and funding for the permanent positions would begin on October 1, 2021. [A technical change to the budget system is needed to reflect the Governor's intended start date for the 8.00 permanent positions.]

DOR indicates that providing these eight permanent positions would recover the following revenues, which would have otherwise been foregone with the expiration of the project positions under standard budget adjustments described above: (a) \$2,200,000 PR-REV in 2021-22 and \$2,900,000 PR-REV in 2022-23 from additional fees collected by DOR; and (b) \$1,745,800 GPR-REV in 2021-22 and \$2,285,900 GPR-REV in 2022-23 from an increased year end transfer to the general fund. DOR also indicates that the authorization of these permanent positions would ensure the collection and remittance of an estimated \$14 million in annual debts that would have been foregone as a result of eliminating these positions.

**Joint Finance/Legislature:** Include provision with a technical modification to provide 8.00 FTE permanent positions in 2021-22.

**3. EXTEND UNCLAIMED PROPERTY PROGRAM PERMANENT PROJECT POSITIONS [LFB Paper 541]**

	Funding	Positions
PR	\$249,400	2.00

**Governor:** Provide \$124,700 annually associated with 2.0 permanent project positions for the unclaimed property program and extend the positions two years, from an end date of June 30, 2021, to an end date of June 30, 2023. Funding for the positions is from unclaimed property program revenue.

**Joint Finance/Legislature:** Include provision. However, provide 2.0 permanent positions, rather than permanent project positions, annually to DOR to maintain unclaimed property program staffing at its current level.

**4. APPROPRIATION REDUCTION**

GPR-REV	\$1,080,000
GPR	- \$7,328,800
PR	- 1,080,000
Total	- \$8,408,800

**Joint Finance/Legislature:** Delete \$3,664,400 GPR and \$540,000 PR annually. Increase GPR-REV by \$540,000 annually to reflect reduced expenditure authority in the PR appropriations. The reductions, by appropriation, are shown below:

Fund Source	Appropriation	Base	Annual Reduction
GPR	Collection of taxes -- general program operations	\$70,337,600	-\$2,764,400
GPR	State and local finance -- general program operations	8,467,200	-90,000
GPR	Administrative services and space rental -- general program operations	32,625,700	-810,000
PR	Collection of taxes -- collections by the department	1,261,800	-90,000
PR	Collection of taxes -- business tax registration	1,799,000	-90,000
PR	Collection of taxes -- administration of county sales and use taxes	3,193,900	-270,000
PR	Collection of taxes -- debt collection	3,053,100	-90,000

**5. ELIMINATE VACANT POSITIONS**

GPR	- 1.93
PR	- 1.10

**Joint Finance/Legislature:** Delete 1.93 GPR and 1.10 PR positions that have been vacant for 24 months or longer. The reductions, by appropriation, are shown below:

Fund Source	Appropriation	Base	Annual Reduction
GPR	Collection of taxes -- general program operations	698.58	-0.93
GPR	Administrative services and space rental -- general program operations	160.75	-1.00
PR	Collection of taxes -- administration of local professional football stadium district taxes	1.00	-1.00
PR	Collection of taxes -- administration of resort tax	0.25	-0.10

**6. ADMINISTRATION AND ENFORCEMENT OF MARIJUANA TAX AND REGULATION**

	Governor (Chg. to Base) Funding Positions		Jt. Finance/Leg. (Chg. to Gov) Funding Positions		Net Change Funding Positions	
GPR	\$5,246,700	18.00	-\$5,246,700	- 18.00	\$0	0.00

**Governor:** Provide \$3,236,600 in 2021-22 and \$2,010,100 in 2022-23 and 18.00 positions annually in a new appropriation for the purposes of: (a) administering the marijuana tax; and (b) covering the costs incurred in enforcing the taxation and regulation of marijuana producers, marijuana processors, and marijuana retailers.

The legalization and taxation of marijuana would be authorized under separate provisions of the bill. [See "Marijuana-Related Provisions."]

**Joint Finance/Legislature:** Provision not included.

**7. MARIJUANA PERMIT FEES**

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR-REV	\$1,410,000	-\$1,410,000	\$0

**Governor:** Estimate additional GPR-REV of \$675,000 in 2021-22 and \$735,000 in 2022-23 for the collection of marijuana permit fees. Under the bill, DOR would charge a \$250 application fee to every person applying for a marijuana permit, as well as an annual fee of \$2,000 to each person holding a valid permit. Fees would be paid to DOR and deposited directly into the general fund. [For additional information, see "Marijuana-Related Provisions."]

**Joint Finance/Legislature:** Provision not included.

## 8. EQUITY OFFICER POSITION

	<b>Governor (Chg. to Base)</b>		<b>Jt. Finance/Leg. (Chg. to Gov)</b>		<b>Net Change</b>	
	<b>Funding Positions</b>		<b>Funding Positions</b>		<b>Funding Positions</b>	
GPR	\$144,200	1.00	-\$144,200	- 1.00	\$0	0.00

**Governor:** Provide \$63,200 in 2021-22 and \$81,000 in 2022-23 and 1.00 position annually to create an agency equity officer position. The agency equity officer would be responsible for coordinating with other agency equity officers and identifying opportunities to advance equity in government operations. [For additional information, see "Administration -- General Agency Provisions."]

**Joint Finance/Legislature:** Provision not included.

## 9. NOTICE OF UTILITY TAXES BY CERTIFIED MAIL

**Governor:** Eliminate the requirement that ad valorem public utility tax notices be sent by certified mail. Under current law, DOR must annually assess the value of property of all ad valorem public utility companies, including railroads, air carriers, pipeline companies, telephone companies, and conservation and regulation companies, for purposes of levying and collecting public utility taxes. The Department is required to provide, via certified mail, the following information: (a) a notice to each company assessed of the amount of its assessment or adjustment; (b) a notice of a scheduled hearing or presentation requested by the company; (c) any order from DOR after the requested hearing; and (d) the notice of tax due, including any reassessment of tax due. The bill would remove reference to a specific mode of communication, allowing DOR to choose how notices are provided to assessed companies. The administration indicates that delivery by certified mail is no longer necessary, as quick and secure electronic communications are now available.

**Joint Finance/Legislature:** Provision not included.

## 10. MULTISTATE SSTP MEMBERSHIP FEES

PR	\$2,000
----	---------

**Joint Finance/Legislature:** Increase funding by \$1,000 annually for DOR's collections under multistate Streamlined Sales Tax Project (SSTP) sum sufficient appropriation to pay the fees

necessary to participate in the Governing Board of the SSTP. With the adjustment, the estimated cost of membership fees would increase from base funding of \$40,000 to \$41,000 annually.

## **Regulation of Alcohol, Tobacco, Nicotine Products, and Vapor Products**

### **1. PUBLICATION OF LIST OF ALCOHOL BEVERAGE RETAIL LICENSEES**

**Governor:** Require DOR to publish a list on DOR's internet site. Under current law, all alcohol beverage retail licenses are issued by the municipality in which the alcohol beverage is to be sold. Annually, by July 15, the clerk of each municipality must provide DOR with a list of the municipality's retail licensees, including the name, address, and trade name of each person holding a license (other than a manager's or operator's license), as well as the type of license and the name of the appointed agent (in the case of corporations and limited liability companies).

The bill would require DOR to publish the information described above on DOR's internet site. According to the administration, publishing this list on the Department's internet site would make this information more readily accessible to local governments and state agencies.

**Joint Finance/Legislature:** Provision not included.

### **2. EXTEND CLOSING HOURS DURING SPECIAL EVENTS**

**Governor:** Allow municipalities to designate by ordinance special events lasting fewer than eight consecutive days during which closing hours are extended for premises operating under Class "B", "Class B", or "Class C" licenses, if the premises hold a special event permit for that event.

Class "B" licenses permit the retail sale of fermented malt beverages (beer) for consumption both on and off the premises, while "Class B" licenses permit the retail sale of intoxicating liquor, including wine and hard cider, by the glass, for consumption on the premises where sold. Under certain circumstances, "Class B" licenses permit the retail sale of intoxicating liquor for consumption off the premises. "Class C" licenses are issued to restaurants to permit the retail sale of wine for consumption on the premises.

Under current law, premises operating under Class "B", "Class B", or "Class C" licenses are required to close between the hours of 2:00 a.m. and 6:00 a.m. on weekdays, and between the hours of 2:30 a.m. and 6:00 a.m. on Saturday and Sunday. Closing hours vary on January 1 and on the Sunday that daylight saving time begins. Generally, the following businesses are not required to close during the hours specified above and may remain open to conduct their regular business: (a) bowling centers; (b) movie theaters; (c) painting studios; (d) indoor golf and baseball facilities; (e) indoor horseshoe-pitching facilities; (f) curling clubs; (g) golf courses and golf clubhouses; and (h) hotels and restaurants of which the principal business is the furnishing of food and lodging to patrons. However, alcohol beverages may not be sold by these businesses during the hours listed

above. Municipalities are not allowed to impose more restrictive closing hours than are described above.

Under the bill, a municipality may, by ordinance enacted by at least a two-thirds vote of the municipality's governing body, designate a special event lasting fewer than eight consecutive days during which special closing hours apply to Class "B", "Class B", and "Class C" premises holding a special event permit for the event issued by the municipality. The bill specifies that during a special event, closing hours would be between 4:00 a.m. and 6:00 a.m. Municipalities could choose to impose more restrictive hours during the special event, but could not require premises to close before 2:00 a.m. on weekdays and 2:30 a.m. on Saturday and Sunday. The bill would also specify that a municipality would not be allowed to designate more than four special events in a calendar year. The municipality could charge a fee for special event permits, but money collected would have to be used for purposes related to the special event. These provisions would take effect on January 1, 2022.

**Joint Finance/Legislature:** Provision not included.

### **3. MINIMUM AGE FOR CIGARETTES, NICOTINE, TOBACCO, AND VAPOR PRODUCTS**

**Governor:** Raise the Wisconsin minimum age for the purchase of cigarettes, tobacco products, and nicotine products from 18 to 21. The bill would impose the same minimum age for the purchase of vapor products.

Under Wisconsin law, purchases of cigarettes, tobacco products, and nicotine products by persons under the age of 18 (underage person) are prohibited. Similarly, the sale or gift of such products to underage persons is prohibited, as is the purchase of these products on behalf of such persons. Under laws governing the direct marketing of cigarettes, certain provisions apply for direct marketers to ensure that the purchaser is at least 18 years of age.

An underage person who is at least 15 years of age may attempt to purchase a cigarette, nicotine product, or tobacco product with the permission of his or her parent or guardian under current law, provided such an attempt is made during an authorized compliance investigation concerning sales to underage persons. Additionally, a person under the age of 18 may purchase such products for the sole purpose of resale in the course of employment, during working hours, if employed by a retailer.

However, on December 20, 2019, the federal minimum age for the purchase of cigarettes, tobacco products, and vapor products was raised from 18 to 21, making it illegal under federal law for Wisconsin retailers to sell such products to anyone under age 21. Therefore, the Governor's recommendation would codify the federal minimum age in state law.

The bill would prohibit individuals under the age of 21, rather than 18, from purchasing cigarettes, tobacco products, and nicotine products, and would also prohibit such individuals from purchasing vapor products. The bill would similarly prohibit the sale or gift of such products to, and purchases of such products on behalf of, persons under 21 years of age. Such products in the

possession of persons under the age of 21 would be subject to seizure by a law enforcement officer. Current law provisions regarding the sale of such products in the presence of underage persons would be modified to include the sale of vapor products, and the presence of persons under the age of 21. In addition, under laws governing restrictions on the sale or gift of cigarettes, nicotine products, or tobacco products, a retailer would include a person who sells vapor products to any person not holding a cigarette and tobacco product retailer license or a tobacco product distributor permit.

Current law provisions governing the direct marketing of cigarettes would be updated to comport with the new minimum age requirements under the bill. The bill would also modify current law provisions concerning compliance investigations to reflect the new minimum age of purchase and sale under the bill, and would add vapor products to the list of products for which such investigations can be conducted. Finally, the bill would modify current law requirements regarding the posting of notices by retailers and vending machine operators, compliance training for employees of cigarette and tobacco products retailers, and defense to a prosecution in cases of sales to underage persons, to also apply to vapor products and to conform with the new minimum age of purchase and sale under the bill.

These provisions would take effect on the bill's effective date and would first apply to: (a) the purchases, attempts to purchase, possession, and false representations of age for the purpose of receiving any cigarette, nicotine product, tobacco product, or vapor product by persons under 21 years of age; and (b) sales or the provision of cigarettes, nicotine products, tobacco products, or vapor products to persons under 21 years of age.

**Joint Finance/Legislature:** Provision not included.

## **Lottery Administration**

### **1. LOTTERY SALES PROJECTIONS [LFB Paper 545]**

**Governor:** Project sales of \$715.0 million in 2021-22 and \$716.9 million in 2022-23. Projected lottery sales provide the basis for estimating the lottery and gaming property tax credit in the next biennium. In addition, the projected sales directly affect appropriations for retailer compensation and lottery vendor fees. The Governor's 2021-23 projected sales are based on sales models utilized by DOR to estimate both lotto (on-line) and instant ticket games. The following table shows these projections, as well as 2019-20 actual lottery sales and estimated sales in 2020-21.

The 2020-21 sales projections are higher than from those estimated in October, 2020, when the amount available for the 2020(21) lottery property tax credit was certified. The higher projected revenues in 2020-21 are due to a delay in the planned expansion of Powerball to additional international markets, which would have prevented the state's continued participation in the

Powerball game under existing state law. As a result, the October, 2020, projections included no Powerball draws or revenue for the last quarter of 2020-21 and thereafter. As a result of the delay in the Powerball expansion, the state is now expected to participate in that game for the entire year and the sales projections now include a full year of Powerball draws. Further, 2021 Wisconsin Act 6 modified the definition of "multijurisdictional" for the purposes of the lottery, which allows the state to continue participating in Powerball draws following any expansion to additional international markets.

**Lottery Sales Projections  
(\$ in millions)**

<u>Game Type</u>	<u>Actual 2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>Percent Change from 2020-21</u>	<u>2022-23</u>	<u>Percent Change from 2021-22</u>
Scratch	\$513.0	\$515.0	\$498.6	-3.2%	\$498.6	0.0%
Pull-tab	0.8	0.4	0.4	0.0	0.4	0.0
Lotto	<u>211.7</u>	<u>221.5</u>	<u>216.0</u>	-2.5	<u>217.9</u>	0.9
Total	\$725.5	\$736.9	\$715.0	-3.0%	\$716.9	0.3%

**Joint Finance/Legislature:** Reestimate 2020-21 lottery sales to \$907.0 million to reflect recent sales experience and full, annual Powerball participation. Reestimate 2021-22 and 2022-23 sales to \$815.6 million.

<u>Game Type</u>	<u>2020-21</u>	<u>2021-22</u>	<u>Percent Change from 2020-21</u>	<u>2022-23</u>	<u>Percent Change from 2021-22</u>
Scratch	645.8	562.9	-12.8%	562.9	0.0%
Pull-tab	0.4	0.4	0.0	0.4	0.0
Lotto	<u>260.8</u>	<u>252.3</u>	-3.3	<u>252.3</u>	0.0
Total	907.0	815.6	-10.1%	815.6	0.0%

**2. LOTTERY FUND CONDITION STATEMENT [LFB Paper 545]**

**Governor:** The total revenue available for tax relief, minus a statutory reserve (2% of gross revenue) and the amount appropriated for the lottery and gaming credit late applications payments, determines the amount available for the lottery and gaming tax credit. The following fund condition statement provides information on operating revenues, appropriated amounts for expenditures, estimates of interest earnings and gaming-related revenue, and the amounts available for tax relief credits under the bill. The bill would appropriate \$266,347,800 in 2021-22 and \$247,945,700 in 2022-23 for both the lottery and gaming credit and the late applications lottery and gaming credit.

	Projected <u>2021-22</u>	Projected <u>2022-23</u>
Fiscal Year Opening Balance	\$33,238,900	\$14,303,300
<b>Operating Revenues</b>		
Total Ticket Sales	\$715,024,100	\$716,857,500
Retailer Fees and Miscellaneous	<u>142,300</u>	<u>142,300</u>
Gross Revenues	\$715,166,400	\$716,999,800
<b>Expenditures (SEG)</b>		
Prizes	\$447,469,700	\$448,395,800
General Program Operations	19,389,400	19,574,000
Gaming Law Enforcement	457,000	457,200
Lottery Credit Administration	316,900	316,900
Program Reserves	<u>149,600</u>	<u>301,900</u>
Total SEG Expenditures	\$467,782,600	\$469,045,800
<b>Expenditures (GPR)</b>		
Retailer Compensation	\$50,285,700	\$50,404,800
Vendor Fees	20,828,300	20,875,400
General Program Operations	<u>1,761,000</u>	<u>1,594,800</u>
Total GPR Expenditures	\$72,875,000	\$72,875,000
Net SEG Proceeds	\$247,383,800	\$247,954,000
Interest Earnings	\$28,400	\$28,400
Total Available for Tax Relief *	\$280,651,100	\$262,285,700
<b>Appropriations For Tax Relief</b>		
Lottery and Gaming Credit	\$265,682,200	\$247,280,100
Late Lottery and Gaming Credit Applications	<u>665,600</u>	<u>665,600</u>
Total Appropriations for Tax Relief	\$266,347,800	\$247,945,700
Gross Closing Balance	\$14,303,300	\$14,340,000
Reserve (2% of Gross Revenues)	\$14,303,300	\$14,340,000
Net Closing Balance	\$0	\$0

\*Opening balance, net SEG proceeds, and interest earnings.

**Joint Finance/Legislature:** Modify the lottery fund condition statement and reestimate the lottery and gaming credit by \$75,874,200 SEG in 2021-22 and \$29,835,900 SEG in 2022-23 to reflect the following: (a) an estimated increase in the annual opening balance of \$48,961,500 SEG based on projected sales in 2020-21 and \$2,012,700 in 2022-23; (b) an estimated increase in ticket sales of \$100,585,900 SEG in 2021-22 and \$98,752,500 SEG in 2022-23; (c) an estimated increase in retailer fees and miscellaneous revenue of \$49,900 SEG annually; (d) increased interest earnings of \$51,600 annually; (e) increased SEG expenditures for the lottery of \$71,762,000 SEG in 2021-

22 and \$69,054,800 SEG in 2022-23; and (f) an increase in revenues needed to fund the required statutory reserve of \$2,012,700 in 2021-22 and \$1,976,000 in 2022-23, resulting from the increased gross revenues.

	Projected <u>2021-22</u>	Projected <u>2022-23</u>
Fiscal Year Opening Balance	\$82,200,400	\$16,316,000
<b>Operating Revenues</b>		
Total Ticket Sales	\$815,610,000	\$815,610,000
Retailer Fees and Miscellaneous	<u>192,200</u>	<u>192,200</u>
Gross Revenues	\$815,802,200	\$815,802,200
<b>Expenditures (SEG)</b>		
Prizes	\$510,560,800	\$510,560,800
General Program Operations	20,203,400	20,203,400
Retailer Compensation	5,258,700	5,305,000
Vendor Fees	2,589,100	937,000
Gaming Law Enforcement	466,100	475,600
Lottery Credit Administration	316,900	316,900
Program Reserves	<u>149,600</u>	<u>301,900</u>
Total SEG Expenditures	\$539,544,600	\$538,100,600
<b>Expenditures (GPR)</b>		
Retailer Compensation	52,046,700	51,999,600
Vendor Fees	<u>20,828,300</u>	<u>20,875,400</u>
Total GPR Expenditures	\$72,875,000	\$72,875,000
Net SEG Proceeds	\$276,257,600	\$277,701,600
Interest Earnings	\$80,000	\$80,000
Total Available for Tax Relief *	\$358,538,000	\$294,097,600
<b>Appropriations For Tax Relief</b>		
Lottery and Gaming Credit	\$341,556,400	\$277,116,000
Late Lottery and Gaming Credit Applications	<u>665,600</u>	<u>665,600</u>
Total Appropriations for Tax Relief	\$342,222,000	\$277,781,600
Gross Closing Balance	\$16,316,000	\$16,316,000
Reserve (2% of Gross Revenues)	\$16,316,000	\$16,316,000
Net Closing Balance	\$0	\$0

\*Opening balance, net SEG proceeds, and interest earnings.

**3. LOTTERY ADMINISTRATION FUNDING CHANGES [LFB Paper 545]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	- \$10,780,800	- \$3,355,800	- \$14,136,600
SEG	<u>10,780,800</u>	<u>3,355,800</u>	<u>14,136,600</u>
Total	\$0	\$0	\$0

**Governor:** Provide \$5,307,300 SEG in 2021-22 and \$5,473,500 SEG in 2022-23 to fund a greater share of lottery program operations from SEG funding. Make a corresponding reduction of \$5,307,300 GPR in 2021-22 and \$5,473,500 GPR in 2022-23 to reduce the share of lottery program operations funded from GPR.

**Joint Finance/Legislature:** Provide an additional \$1,761,000 SEG in 2021-22 and \$1,594,800 SEG in 2022-23 for lottery program operations. SEG funding for lottery program operations would be increased by a total of \$7,068,300 SEG annually to \$20,203,400 each year. Make a corresponding reduction of \$1,761,000 GPR in 2021-22 and \$1,594,800 GPR in 2022-23 to remove all GPR funding from lottery program operations.

**4. LOTTERY RETAILER COMPENSATION AND VENDOR FEES [LFB Paper 545]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$10,780,800	\$3,355,800	\$14,136,600
SEG	<u>0</u>	<u>14,089,800</u>	<u>14,089,800</u>
Total	\$10,780,800	\$17,445,600	\$28,226,400

**Governor:** Provide \$2,305,000 GPR in 2021-22 and \$2,424,100 GPR in 2022-23 for retailer compensation and \$3,002,300 GPR in 2021-22 and \$3,049,400 GPR in 2022-23 for vendor fees associated with increases in estimated lottery sales. This would increase base level GPR funding for retailer compensation from \$47,980,700 annually to \$50,285,700 in 2021-22 and \$50,404,800 in 2022-23. Base level GPR funding for vendor fees would increase from \$17,826,000 annually to \$20,828,300 in 2021-22 and \$20,875,400 in 2022-23. GPR funding for retailer compensation and vendor fees is provided from two separate annual appropriations. If GPR funding is insufficient to pay the full costs of annual retailer compensation and vendor fees, two separate SEG sum sufficient appropriations for these purposes are also available to cover those costs.

Basic retailer compensation is established by statute at 5.5% of the retail price of lotto lottery tickets and 6.25% of the retail price of instant tickets sold by the retailer. In addition, the retailer performance program provides an amount of up to 1% of gross lottery sales as incentive payments to retailers. Vendor fees are paid under a major procurement contract for the provision of data processing services to both the lotto and instant lottery games.

The administration indicates that the purpose of Items #3 and #4 is to increase GPR funding for retailer compensation and vendor fees and provide more SEG funding for lottery administration.

**Joint Finance/Legislature:** Make the following additional changes to retailer compensation and vendor fee funding: (a) provide \$1,761,000 GPR in 2021-22 and \$1,594,800 GPR in 2022-23 for retailer compensation; (b) provide \$5,258,700 SEG in 2021-22 and \$5,305,000 SEG for retailer compensation; and (c) provide \$2,589,100 SEG in 2021-22 and \$937,000 SEG in 2022-23 for vendor fees.

**5. LOTTERY DRAW STAFF [LFB Paper 545]**

	<u>Governor</u> <u>(Chg. to Base)</u>		<u>Jt. Finance/Leg.</u> <u>(Chg. to Gov)</u>		<u>Net Change</u>	
	Funding Positions		Funding Positions		Funding Positions	
SEG	\$128,600	1.0	-\$128,600	- 1.0	\$0	0.0

**Governor:** Provide \$55,100 SEG in 2021-22 and \$73,500 in 2022-23 and 1.0 position to the Lottery Division's SEG general operations appropriation to assist with both the increased number of lotto games and the mid-day draws that have been implemented for several lotto games.

**Joint Finance/Legislature:** Provision not included.

**6. LOTTERY PRODUCT INFORMATION [LFB Paper 545]**

	<u>Governor</u> <u>(Chg. to Base)</u>	<u>Jt. Finance/Leg.</u> <u>(Chg. to Gov)</u>	<u>Net Change</u>
SEG	\$1,700,000	-\$1,700,000	\$0

**Governor:** Increase funding by \$850,000 annually to the Division's SEG general operations appropriation to provide a 10% increase to the lottery product information budget. The Division's lottery product information activities provide lottery players with sufficient notice of game changes and game draws.

**Joint Finance/Legislature:** Provision not included.

**7. WISCONSIN LOTTERY -- DEFINITION OF MULTIJURISDICTIONAL**

**Governor:** For purposes of the Wisconsin Lottery, expand the definition of multijurisdictional to include any country or nation other than the United States or Canada, for the purposes of the lottery. Current law allows Wisconsin to participate in a multijurisdictional lottery, but defines multijurisdictional as including only the United States, Puerto Rico, any territorial or possession of the United States, and Canada. This provision would allow for the continued participation in a multijurisdictional lottery following any international expansion.

**Joint Finance/Legislature:** Provision not included. This provision was signed into law as 2021 Wisconsin Act 6 on February 25, 2021.