



WISCONSIN LEGISLATIVE AUDIT BUREAU AUDIT SUMMARY

Report 97-14

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WISCONSIN GAMING BOARD

The Wisconsin Gaming Board is responsible for coordinating and regulating all activities relating to racing, on-track pari-mutuel wagering, and charitable gaming. The Gaming Board is also responsible for coordinating the State's Indian gaming regulatory activities. The Board's currently authorized operating budget is approximately \$3.9 million, which supports an Executive Director and 52.45 authorized full-time equivalent staff.

Tax Revenues from Racing and Charitable Gaming Are Declining

Racing revenues are generated through a portion of each wager collected from racetrack patrons. Portions of each wager are also returned as prize winnings and paid to track and dog owners. Racing tax revenues have declined from \$4.74 million in fiscal year (FY) 1994-95 to an estimated \$2.6 million in FY 1996-97. At the peak of pari-mutuel activity in Wisconsin, five greyhound racetracks were in operation; however, two have closed since 1993. Given the current status of greyhound racing, it is not likely that any significant increases in racing revenues will occur in the future. Similarly, the amount of charitable gaming revenues generated by a 2 percent tax based on gross bingo revenues has declined from \$566,300 in FY 1994-95 to an estimated \$545,200 in FY 1996-97.

Indian Gaming Revenues Have Grown Significantly

Currently, 11 tribes with signed tribal-state compacts operate 17 casinos on Indian lands in Wisconsin. The compacts define allowable types of casino games to include slot machines and blackjack and establish a tribal and state regulatory and oversight process. In addition, the compacts require the tribes to submit confidential annual financial and biennial security audits to both the Gaming Board and the Legislative Audit Bureau. A Wisconsin Attorney General's informal opinion obtained in November 1996 states the Audit Bureau may release information related to casino operations in aggregate form, provided nothing in the disclosure could lead to the identification of the tribe, its members, employees, or operations.

In 1996, the tribes' gaming profits were \$280.1 million: gaming revenues after prize payouts were \$682.7 million, and expenses totaled \$402.6 million. From 1992 through 1996, the five-year period in which the compacts have been in effect, total gaming profits were \$946.8 million: revenues after prize payouts were \$2.4 billion, and expenses totaled \$1.5 billion.

Financial statements submitted by the tribes indicate that of the profits, at least \$829.9 million was transferred to other areas of tribal operations or paid directly to tribal members. Media reports provide examples of how profits benefited individuals and tribal members, which include construction of an elementary school, development of a hotel and gift shop, and operation of a chain of convenience stores.

Regulatory Expenditures for Indian Gaming Have Exceeded Revenues

Under the current tribal-state compacts, the Gaming Board is to receive a total of \$350,000 annually from the 11 tribes as reimbursement for the State's regulatory costs. In addition, the Gaming Board collects fees from vendors who wish to do gaming-related business with the tribes. These fees have not changed since 1994, and the amounts collected have declined 73.6 percent since FY 1993-94. In addition, the State's regulatory expenditures have been greater than amounts received for the past four fiscal years. We found that in 21 other states with valid compacts in effect, annual tribal reimbursement of regulatory costs ranged from nothing to \$5.2 million.

Many Questions Surround the Future of Indian Gaming in Wisconsin

Under Wisconsin law, the Governor is authorized to enter into gaming compacts on behalf of the State. The current tribal-state compacts will begin to expire in August 1998, and negotiations between the tribes and the Governor are underway. Negotiations could include several legal and financial issues. For example, in April 1993, a constitutional amendment was approved to limit gambling in Wisconsin to bingo, raffles, pari-mutuel on-track betting, and the state-run lottery. It is not known at this time if the 1993 amendment could be interpreted to prevent casino games on Indian lands in the future. In addition, financial questions have been raised about what amount the State should receive as reimbursement of its Indian gaming regulatory costs and how those costs should be defined, as well as whether, in what amount, and in what form other payments should be received from the tribes in exchange for their exclusive rights to conduct casino gaming in the state.

Two other states—Michigan and Connecticut—have entered into arrangements separate from their tribal-state gaming compacts, under which tribes have agreed to share revenues. The State of Michigan receives 8 percent of net winnings, which was approximately \$35 million in FY 1995-96, and local governments in Michigan receive an additional 2 percent of net winnings, which was approximately \$8.7 million during the same period. Connecticut receives 25 percent of net casino revenues each year, which was approximately \$208 million in 1996.

Examples of other issues that may arise during Wisconsin's current negotiation process include who should negotiate the new compacts and what role, if any, the State Legislature should play in either negotiating the compacts or ratifying them if an agreement is reached; whether large and small tribal gaming operations should be treated differently; and whether other issues should be debated as part of the compact negotiations, including such issues as tribal hunting and fishing rights, environmental issues, and tax policy.

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