

An Audit

## **Division of Gaming**

*Department of Administration*

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Janice Mueller  
State Auditor

March 20, 2008

Senator Jim Sullivan and  
Representative Suzanne Jeskewitz, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Sullivan and Representative Jeskewitz:

We have examined the Indian Gaming, Racing, and Charitable Gaming programs administered by the Division of Gaming in the Department of Administration, as required by s. 13.94(1)(eg), Wis. Stats. We have issued an unqualified opinion on the Division's budgetary financial schedules for the three-year period from fiscal year (FY) 2004-05 through FY 2006-07.

In September 2007, we issued Report 07-12, which was our biennial program evaluation of the Division of Gaming, as required by s.13.94(1)(eg), Wis. Stats. We will report on the Division's efforts to address recommendations made in that report during the next program evaluation, which is expected to be completed in 2009.

As shown in the financial schedules, the payments the Indian tribes made to the State were \$27.4 million in FY 2004-05, \$118.7 million in FY 2005-06, and \$49.8 million in FY 2006-07. These amounts fluctuated in part because of the timing of payments received from tribal governments. However, payments have also been affected because compact disputes with several tribes remain unresolved.

Indian Gaming revenues that are not expended, encumbered, or distributed to other agencies based on statutory requirements are transferred to the State's General Fund as miscellaneous receipts available for legislative appropriation. Because Indian gaming payments to the State have fluctuated over the three-year period, the amounts transferred to the General Fund have also fluctuated and were \$3.8 million in FY 2004-05, \$88.9 million in FY 2005-06, and \$22.1 million in FY 2006-07.

From FY 2004-05 through FY 2006-07, revenues generated from the Racing program have declined as another racetrack closed during FY 2005-06, while bingo revenues have remained relatively stable. In total during the three-year period, these sources provided nearly \$2.0 million to the Lottery Fund for property tax relief.

We appreciate the courtesy and cooperation extended to us by the Department of Administration's Division of Gaming.

Respectfully submitted,

Janice Mueller  
State Auditor

JM/BN/ss



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## Opinion ■

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### ***Independent Accountant's Report on the Financial Schedules of the Department of Administration's Division of Gaming***

We have examined the accompanying schedules of revenues, expenditures, and changes in program balances of the Indian Gaming, Racing, and Charitable Gaming programs administered by the Department of Administration's Division of Gaming for the years ended June 30, 2007, 2006, and 2005. These schedules, which are prepared on a budgetary basis of accounting, are the responsibility of management of the Department of Administration's Division of Gaming. Our responsibility is to express an opinion based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Accordingly, we examined, on a test basis, evidence supporting the schedules of revenues, expenditures, and changes in program balances and performed such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial schedules referred to in the first paragraph present, in all material respects, the revenues, expenditures, and changes in program balances of the Division of Gaming's Indian Gaming, Racing, and Charitable Gaming programs for the years ended June 30, 2007, 2006, and 2005, on the budgetary basis of accounting set forth in Note 2.

#### 4 . . . . OPINION

Our examination was conducted for the purpose of forming an opinion on the financial schedules of the Department of Administration's Division of Gaming. The supplementary information included as Management's Discussion and Analysis on pages 5 through 9 is presented for purposes of additional analysis and is not a required part of the financial schedules referred to in the first paragraph. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not perform an audit or examination of this information and express no opinion on it.

March 5, 2008

LEGISLATIVE AUDIT BUREAU

by   
Bryan Naab  
Deputy State Auditor for Financial Audit



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# Management's Discussion and Analysis ■

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## *Prepared by Management of the Department of Administration's Division of Gaming*

This section of the financial report of the Wisconsin Department of Administration's Division of Gaming presents management's discussion and analysis of the financial performance of the Division of Gaming during fiscal year (FY) 2004-05, FY 2005-06, and FY 2006-07, which ended on June 30, 2005, 2006, and 2007, respectively. This discussion should be read in conjunction with the accompanying financial schedules and notes. The financial schedules, notes, and this discussion are the responsibility of the Department of Administration's Division of Gaming.

### **Financial Highlights**

The financial highlights that follow reflect changes during FY 2004-05, FY 2005-06, and FY 2006-07, in three program areas: Indian Gaming, Racing (pari-mutuel racing and wagering), and Charitable Gaming (raffles, bingo, and crane games).

Chapters 562, 563, 564, and 569 of Wisconsin Statutes govern the operation of the Division of Gaming. After mandatory transfers and deductions for operational expenditures, remaining revenue from the racing and bingo appropriations is lapsed to the Lottery Fund for property tax relief. The statutes also require that the balance that remains in the raffle and crane games appropriation serve as the beginning balance for operation of the program in the following fiscal year. The Indian Gaming funds, following deductions for operational expenditures and legislatively directed revenue distributions, are transferred to the General Fund.

## Indian Gaming

- There are 11 tribal nations that currently operate 24 casino-style gaming locations in Wisconsin.
- The original compacts negotiated between the tribal nations and the State of Wisconsin stipulated that \$350,000 was to be paid annually from tribal casino revenues to the State of Wisconsin for regulation. Tribes agreed to submit additional revenue to the State in the 1998/1999 compact amendments. In 2003, 10 of the 11 tribes signed compact amendments that included an increase in revenue from the 1998/1999 agreements. However, a duration provision in seven of the ten compacts signed in 2003 was found to be invalid by the Wisconsin Supreme Court in 2004.
- The financial schedules report total Indian Gaming revenue of \$27.4 million in FY 2004-05, \$118.7 million in FY 2005-06, and \$49.8 million in FY 2006-07. Since the financial schedules are prepared on a budgetary basis of accounting, fluctuations in total revenue are primarily related to the timing of receipts. Further, while the Ho-Chunk payments for the three-year period are in litigation, they did make a good-faith pre-payment of \$30 million in FY 2005-06 against any future payments that are agreed upon.
- The State's biennial budgets designate the allocation of Indian Gaming revenue received from the tribes to various state agencies to provide specific services. As shown in Table A, state agencies were originally designated \$22.6 million in FY 2004-05, \$28.4 million in FY 2005-06, and \$26.4 million in FY 2006-07.

Table A  
**Allocated Indian Gaming Revenue Distributions**

	FY 2004-05	FY 2005-06	FY 2006-07
Department of Administration	\$ 1,700,000	\$ 750,000	\$ 750,000
Department of Agriculture, Trade and Consumer Protection	1,900,000	1,900,000	0
Arts Board	0	25,200	25,200
Department of Commerce	3,553,900	3,234,300	3,234,300
Department of Corrections	0	126,100	0
Department Health and Family Services	3,411,600	3,411,600	3,411,600
Higher Educational Aids Board	1,191,600	1,191,600	1,191,600
Wisconsin Historical Society	189,800	207,600	207,600
Department of Justice	778,000	2,037,600	2,037,600
Department of Natural Resources	5,299,600	4,482,700	4,482,700
Wisconsin Technical College System Board	0	600,000	600,000
Department of Tourism	4,130,500	9,337,500	9,371,200
University of Wisconsin System	100,000	595,400	651,400
Department of Veterans Affairs	0	105,500	105,500
Department of Workforce Development	350,000	350,000	350,000
<b>Total</b>	<b>\$22,605,000</b>	<b>\$28,355,100</b>	<b>\$26,418,700</b>

- The amounts displayed in Table A differed from the actual distributions. Distributions are reduced for any unencumbered balance that remains from previous distributions. The actual distributions were as follows: \$22.4 million in FY 2004-05, \$28.1 million in FY 2005-06, and \$26.1 million in FY 2006-07.
- Indian Gaming revenue not appropriated to a specific state program or appropriated for gaming regulation or law enforcement is transferred to the General Fund. The Indian Gaming program transferred \$3.8 million in FY 2004-05, \$88.9 million in FY 2005-06, and \$22.1 million in FY 2006-07 to the General Fund. Further, the program was required to lapse \$2,700 in FY 2004-05 and \$56,700 in FY 2005-06 to the State's General Fund as part of the State's effort to address budget shortfalls. No lapse was required in FY 2006-07.

## **Racing**

- One greyhound racetrack, Dairyland Greyhound Park in Kenosha, continues to operate in Wisconsin. Geneva Lakes Greyhound Track in Delavan closed in April 2006.
- The entire cost of racing regulation in Wisconsin is paid for by racetrack owners and through licenses, fees, and taxes collected by the Division of Gaming.
- The April 2006 closure of the Geneva Lakes Greyhound Track in Delavan led to a decline in overall racing revenues, from \$1.9 million in FY 2005-06 to \$1.5 million in FY 2006-07. In addition, racing revenues in general continue to decline.
- Nearly \$57 million was wagered at Dairyland Greyhound Park on live greyhound racing and on greyhound and horse simulcasts during FY 2006-07.
- The Racing program transferred \$721,000 in FY 2004-05, \$376,000 in FY 2005-06, and \$17,000 in FY 2006-07 to the Lottery Fund for property tax relief to Wisconsin residents.

## **Charitable Gaming**

- Currently, more than 7,000 raffle licenses and more than 600 bingo licenses are issued to qualified organizations.
- Charitable organizations, through licenses and fees, pay for the regulation of charitable gaming.
- The Charitable Gaming program and the revenue generated have remained relatively stable for several years.
- Approximately \$80 million in revenue is generated annually by and for charitable organizations in Wisconsin through the operation of raffles, crane games, and bingo.
- The Charitable Gaming program transferred \$293,000 in FY 2004-05, \$264,000 in FY 2005-06, and \$290,000 in FY 2006-07 to the Lottery Fund for property tax relief for Wisconsin residents. The program was required to lapse \$50,000 in FY 2004-05 and \$100,000 in FY 2005-06 from the raffle and crane games appropriation to the State's General Fund as part of the State's effort to address budget shortfalls. No lapse was required in FY 2006-07.

## Financial Schedules

The Division of Gaming is funded through program revenue appropriations. The Division of Gaming must receive enough revenue in payments from gaming establishments to pay for the costs of regulation in accordance with statutory requirements. The financial schedules are completed on a budgetary basis of accounting.

At the close of the fiscal year, the Department of Administration's Division of Administrative Services prepares a financial schedule that outlines the revenues, expenditures, and transfers for each of the three programs in the Division of Gaming.

## Contacting the Department of Administration

The financial report is designed to provide a general overview of the finances of the Department of Administration's Division of Gaming. Questions regarding the financial schedules should be directed to:

Linda Wald, Financial Manager  
Accounting Section  
Department of Administration  
9<sup>th</sup> Floor  
101 E. Wilson St.  
Madison, WI 53702

Questions concerning program information provided in this report or requests for additional information should be addressed to:

Rachel Meek, Support Services Supervisor  
Wisconsin Division of Gaming  
Department of Administration  
1<sup>st</sup> Floor  
3319 W. Beltline Highway  
Madison, WI 53713

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## **Financial Schedules ■**

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**Schedule of Revenues, Expenditures, and Changes in Program Balances—  
 Budgetary Basis of Accounting, for the Year Ended June 30, 2007**

	Indian Gaming	Racing	Charitable Gaming	Totals (Memorandum Only)
<b>REVENUES</b>				
Tribal Revenues	\$ 49,366,534			\$ 49,366,534
Tribal Vendor Investigation Fees	417,315			417,315
Pari-mutuel Tax		\$ 593,584		593,584
Special Program Tax		423,901		423,901
Racing Supervision Fees		150,600		150,600
Unclaimed Prizes		153,740		153,740
Licensing Fees		137,178		137,178
Fines and Forfeitures		3,680		3,680
Bingo Tax			\$ 359,839	359,839
Bingo Licensing Fees			167,330	167,330
Raffle Licensing Fees			202,160	202,160
Crane Game Licensing Fees			8,640	8,640
Miscellaneous Revenue	80			80
<b>Total Revenues</b>	<b>49,783,929</b>	<b>1,462,683</b>	<b>737,969</b>	<b>51,984,581</b>
<b>EXPENDITURES</b>				
Salaries and Fringe Benefits	982,251	925,165	350,141	2,257,557
Supplies and Services	526,242	357,972	95,749	979,963
<b>Total Expenditures</b>	<b>1,508,493</b>	<b>1,283,137</b>	<b>445,890</b>	<b>3,237,520</b>
<b>TRANSFERS</b>				
Transfer of Tribal Revenues to (Note 3B):				
Department of Administration	(750,000)			(750,000)
Arts Board	(25,200)			(25,200)
Department of Commerce	(3,193,773)			(3,193,773)
Department of Health and Family Services	(3,319,139)			(3,319,139)
Higher Educational Aids Board	(1,191,600)			(1,191,600)
Wisconsin Historical Society	(207,591)			(207,591)
Department of Justice	(2,050,400)			(2,050,400)
Department of Natural Resources	(4,389,529)			(4,389,529)
Wisconsin Technical College Systems Board	(592,309)			(592,309)
Department of Tourism	(9,351,103)			(9,351,103)
University of Wisconsin System	(552,911)			(552,911)
Department of Veterans Affairs	(113,399)			(113,399)
Department of Workforce Development	(350,000)			(350,000)
Transfer to the Common School Fund (Note 3D)		(4,283)		(4,283)
Transfer to the Department of Justice—				
Gaming Law Enforcement (Note 3E)	(132,500)	(158,056)		(290,556)
Transfer to the Lottery Fund (Note 3C)		(17,207)	(289,545)	(306,752)
Transfer to the General Fund (Note 3A)	(22,055,982)			(22,055,982)
<b>Total Transfers</b>	<b>(48,275,436)</b>	<b>(179,546)</b>	<b>(289,545)</b>	<b>(48,744,527)</b>
<b>INCREASE (DECREASE) IN PROGRAM BALANCE</b>	<b>0</b>	<b>0</b>	<b>2,534</b>	<b>2,534</b>
<b>PROGRAM BALANCE</b>				
Program Balance, Beginning of Year	0	0	14,588	14,588
<b>PROGRAM BALANCE, END OF YEAR</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 17,122</b>	<b>\$ 17,122</b>

The accompanying notes are an integral part of this schedule.



**Schedule of Revenues, Expenditures, and Changes in Program Balances—  
 Budgetary Basis of Accounting, for the Year Ended June 30, 2006**

	Indian Gaming	Racing	Charitable Gaming	Totals (Memorandum Only)
<b>REVENUES</b>				
Tribal Revenues	\$ 118,421,760			\$ 118,421,760
Tribal Vendor Investigation Fees	269,792			269,792
Pari-mutuel Tax		\$ 713,210		713,210
Special Program Tax		532,981		532,981
Racing Supervision Fees		253,100		253,100
Unclaimed Prizes		208,771		208,771
Licensing Fees		197,956		197,956
Fines and Forfeitures		3,870		3,870
Bingo Tax			\$ 314,635	314,635
Bingo Licensing Fees			158,077	158,077
Raffle Licensing Fees			198,351	198,351
Crane Game Licensing Fees			23,520	23,520
Miscellaneous Revenue	112	6		118
<b>Total Revenues</b>	<b>118,691,664</b>	<b>1,909,894</b>	<b>694,583</b>	<b>121,296,141</b>
<b>EXPENDITURES</b>				
Salaries and Fringe Benefits	967,681	955,240	304,928	2,227,849
Supplies and Services	584,288	434,308	92,295	1,110,891
<b>Total Expenditures</b>	<b>1,551,969</b>	<b>1,389,548</b>	<b>397,223</b>	<b>3,338,740</b>
<b>TRANSFERS</b>				
Transfer of Tribal Revenues to (Note 3B):				
Department of Administration	(709,413)			(709,413)
Department of Agriculture, Trade and Consumer Protection	(1,900,000)			(1,900,000)
Arts Board	(25,200)			(25,200)
Department of Commerce	(3,185,855)			(3,185,855)
Department of Corrections	(126,100)			(126,100)
Department of Health and Family Services	(3,355,258)			(3,355,258)
Higher Educational Aids Board	(1,186,490)			(1,186,490)
Wisconsin Historical Society	(207,600)			(207,600)
Department of Justice	(2,044,400)			(2,044,400)
Department of Natural Resources	(4,456,208)			(4,456,208)
Wisconsin Technical College Systems Board	(577,041)			(577,041)
Department of Tourism	(9,270,591)			(9,270,591)
University of Wisconsin System	(595,400)			(595,400)
Department of Veterans Affairs	(107,964)			(107,964)
Department of Workforce Development	(350,000)			(350,000)
Transfer to the Department of Justice—				
Gaming Law Enforcement (Note 3E)	(123,300)	(144,198)		(267,498)
Lapse to the General Fund (Note 3F)	(56,700)		(100,000)	(156,700)
Transfer to the Lottery Fund (Note 3C)		(376,148)	(263,934)	(640,082)
Transfer to the General Fund (Note 3A)	(88,862,175)			(88,862,175)
<b>Total Transfers</b>	<b>(117,139,695)</b>	<b>(520,346)</b>	<b>(363,934)</b>	<b>(118,023,975)</b>
<b>INCREASE (DECREASE) IN PROGRAM BALANCE</b>	<b>0</b>	<b>0</b>	<b>(66,574)</b>	<b>(66,574)</b>
<b>PROGRAM BALANCE</b>				
Program Balance, Beginning of Year	0	0	81,162	81,162
<b>PROGRAM BALANCE, END OF YEAR</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 14,588</b>	<b>\$ 14,588</b>

The accompanying notes are an integral part of this schedule.

**Schedule of Revenues, Expenditures, and Changes in Program Balances—  
 Budgetary Basis of Accounting, for the Year Ended June 30, 2005**

	Indian Gaming	Racing	Charitable Gaming	Totals (Memorandum Only)
<b>REVENUES</b>				
Tribal Revenues	\$ 27,098,175			\$ 27,098,175
Tribal Vendor Investigation Fees	282,360			282,360
Pari-mutuel Tax		\$ 911,535		911,535
Special Program Tax		634,641		634,641
Racing Supervision Fees		310,620		310,620
Unclaimed Prizes		268,589		268,589
Licensing Fees		253,212		253,212
Fines and Forfeitures		9,960		9,960
Bingo Tax			\$ 324,828	324,828
Bingo Licensing Fees			174,034	174,034
Raffle Licensing Fees			195,395	195,395
Crane Game Licensing Fees			17,520	17,520
Miscellaneous Revenue	5		24	29
<b>Total Revenues</b>	<b>27,380,540</b>	<b>2,388,557</b>	<b>711,801</b>	<b>30,480,898</b>
<b>EXPENDITURES</b>				
Salaries and Fringe Benefits	891,049	1,021,032	316,417	2,228,498
Supplies and Services	579,345	494,203	92,462	1,166,010
<b>Total Expenditures</b>	<b>1,470,394</b>	<b>1,515,235</b>	<b>408,879</b>	<b>3,394,508</b>
<b>TRANSFERS</b>				
Transfer of Tribal Revenues to (Note 3B):				
Department of Administration	(1,684,375)			(1,684,375)
Department of Agriculture, Trade and Consumer Protection	(1,900,000)			(1,900,000)
Department of Commerce	(3,557,300)			(3,557,300)
Department of Health and Family Services	(3,391,568)			(3,391,568)
Higher Educational Aids Board	(1,191,600)			(1,191,600)
Wisconsin Historical Society	(189,799)			(189,799)
Department of Justice	(792,600)			(792,600)
Department of Natural Resources	(5,072,048)			(5,072,048)
Department of Tourism	(4,132,097)			(4,132,097)
University of Wisconsin System	(100,000)			(100,000)
Department of Workforce Development	(350,000)			(350,000)
Transfer to the Common School Fund (Note 3D)		(4,472)		(4,472)
Transfer to the Department of Justice—				
Gaming Law Enforcement (Note 3E)	(121,800)	(147,750)		(269,550)
Lapse to the General Fund (Note 3F)	(2,700)		(50,000)	(52,700)
Transfer to the Lottery Fund (Note 3C)		(721,100)	(292,730)	(1,013,830)
Transfer to the General Fund (Note 3A)	(3,806,314)			(3,806,314)
<b>Total Transfers</b>	<b>(26,292,201)</b>	<b>(873,322)</b>	<b>(342,730)</b>	<b>(27,508,253)</b>
<b>INCREASE (DECREASE) IN PROGRAM BALANCE</b>	<b>(382,055)</b>	<b>0</b>	<b>(39,808)</b>	<b>(421,863)</b>
<b>PROGRAM BALANCE</b>				
Program Balance, Beginning of Year	382,055	0	120,970	503,025
<b>PROGRAM BALANCE, END OF YEAR</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 81,162</b>	<b>\$ 81,162</b>

The accompanying notes are an integral part of this schedule.

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## Notes to the Financial Schedules ■

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### 1. DESCRIPTION OF THE DEPARTMENT OF ADMINISTRATION—DIVISION OF GAMING'S INDIAN GAMING, RACING, AND CHARITABLE GAMING PROGRAMS

The Division of Gaming within the Department of Administration was created at the beginning of FY 1997-98 by 1997 Wisconsin Act 27, the 1997-99 Biennial Budget Act. The Division of Gaming administers three programs: Indian Gaming, Racing, and Charitable Gaming. Prior to the creation of the Division of Gaming, these programs were managed by various state agencies, including the Racing Board and the Department of Regulation and Licensing until October 1992; the three-member Gaming Commission until July 1, 1996; and the five-member Gaming Board until July 1, 1997. All but the Department of Regulation and Licensing have been dissolved.

The activities of the Division of Gaming's three programs are presented in the accompanying financial schedules. In FY 2006-07, FY 2005-06, and FY 2004-05, Indian Gaming, Racing, and Charitable Gaming were budgeted and accounted for as program revenue in the State's General Fund. All three programs are part of the State of Wisconsin financial reporting entity.

The State and each of 11 tribal governments in Wisconsin recognized as sovereign nations have previously entered into tribal-state compacts allowing tribally operated casino-style games. As provided in the compacts, 24 Indian gaming locations were in operation during FY 2006-07, FY 2005-06, and FY 2004-05. The Division of Gaming is responsible for the coordination of the State's oversight activities regarding Indian gaming, along with other provisions of ch. 569, Wis. Stats.

Pari-mutuel greyhound racing was authorized by 1987 Wisconsin Act 354. In April 2006, Geneva Lakes Greyhound Track closed, leaving one remaining racetrack in Wisconsin in operation, Dairyland Greyhound Park in Kenosha. The Division of Gaming's regulatory responsibilities in reference to pari-mutuel wagering and racing are set forth in ch. 562, Wis. Stats.

Charitable gaming includes bingo; raffles; and crane games, which are amusement devices that reward a player's skill with prizes of toys or novelties worth \$5 or less. As provided by chs. 563 and 564, Wis. Stats., the Division of Gaming is responsible for making policies and rules relating to charitable gaming, as well as regulating and licensing these games.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial schedules of the Indian Gaming, Racing, and Charitable Gaming programs have been prepared using a budgetary basis of accounting, which demonstrates compliance with Wisconsin Statutes for budgetary purposes. Statutes require that revenues and expenditures be recognized in the fiscal year in which they are received or paid. The State's accounting records remain open until July 31 to permit departments to record revenues and expenditures applicable to the fiscal year ended June 30. However, the recording of charges and encumbrances applicable to the prior year is limited by the available appropriation balances of that year and cut-off dates established by the Department of Administration.

## **3. TRANSFERS AND LAPSES**

### **A. Transfer to the General Fund**

The Division of Gaming collects tribal regulation revenue under the current tribal-state gaming compacts. The Division of Gaming has no statutory authority to encumber or expend revenue from the Indian Gaming program that is not allocated to a specific state program or agency; the remaining revenue is deposited in the State's General Fund as miscellaneous receipts available for legislative appropriation.

### **B. Transfer of Tribal Payments to Various State Agencies**

In accordance with s. 20.505(8)(hm), Wis. Stats., a portion of the revenue from the Indian Gaming program is transferred to state agencies for a variety of specific purposes.

### **C. Transfer to the Lottery Fund**

On April 6, 1999, Wisconsin voters approved a constitutional amendment that requires net proceeds received by the State from bingo games and pari-mutuel on-track betting to be used for property tax relief for Wisconsin residents. 1999 Wisconsin Act 5 requires that any unencumbered balances remaining in general program operations appropriations for bingo and racing be transferred to the Lottery Fund at the end of each fiscal year.

**D. Transfer to the Common School Fund**

As required by both Article X, Section 2 of the Wisconsin Constitution and Wisconsin Statutes, 50 percent of all fines and forfeitures collected by the Racing program must be deposited into the Common School Fund. In FY 2004-05, less than 50 percent of fines and forfeitures were transferred to the Common School Fund, and in FY 2005-06, no transfer was made to the Common School Fund. In response, an additional \$2,443 was included in the transfer for FY 2006-07 so that for the three-year period, 50 percent of all fines and forfeitures collected by the Racing program were transferred to the Common School Fund.

**E. Transfer to the Department of Justice—Gaming Law Enforcement**

According to ss. 20.455(2)(g) and 20.455(2)(gc), Wis. Stats., the Division of Gaming is required to transfer revenue to the Department of Justice for the performance of gaming law enforcement responsibilities.

**F. Lapse to the General Fund**

To address the State's budget shortfalls, program revenue lapses to the State's General Fund were required in FY 2004-05 by 2003 Wisconsin Act 33, and in FY 2005-06 by 2005 Wisconsin Act 25. No lapses were required in FY 2006-07.

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