

Division of Gaming

Department of Administration

September 2012

Report Highlights ■

The Division was authorized 23.5 FTE positions in FY 2011-12.

The State's revenue from all gaming sources totaled approximately \$52 million each year from FY 2009-10 through FY 2011-12.

Tribal gaming revenue was approximately \$1.3 billion in each year from 2009 through 2011.

From January 2010 through July 2012, the Division conducted 66 financial audits and 55 compliance audits of casinos.

From FY 2009-10 through FY 2011-12, the State's revenue from bingo activities totaled \$1.3 million.

Key Facts and Findings

The State's gaming revenue is distributed through the budget process to various state agencies and the General Fund.

In June 2012, 11 tribes operated 25 casinos in Wisconsin.

The Division of Gaming in the Department of Administration (DOA) oversees the gaming operations of 11 tribes that have negotiated compacts with the State. The compacts permit Indian gaming in Wisconsin and define regulations for tribal gaming operations. The Division also regulates charitable bingo and raffles, and other games that are subject to regulation by the State. While the Division is authorized to regulate pari-mutuel racing, the last remaining greyhound racetrack in Wisconsin closed in December 2009.

Under s. 13.94(1)(eg), Wis. Stats., the Legislative Audit Bureau is required to conduct an annual financial audit and a biennial performance evaluation. In completing our work, we reviewed:

- internal controls and the State's revenue and expenditures related to the regulation of Indian gaming and charitable gaming;
- tribal revenue and expenses related to gaming activities;
- oversight activities of the Division's Office of Indian Gaming, including its use of electronic data systems to monitor tribal gaming operations and its financial and compliance audits; and
- trends in charitable gaming and crane games, which are a form of entertainment in which a player maneuvers a crane or claw to obtain toys or novelties worth \$5 or less.

Division Staffing

The number of authorized positions for the Division decreased from 34.35 full-time equivalent (FTE) positions in fiscal year (FY) 2010-11 to 23.5 FTE positions in FY 2011-12. 2011 Wisconsin Act 32, the 2011-13 Biennial Budget Act, eliminated all 11.5 FTE positions dedicated to pari-mutuel racing oversight. These positions had not been filled since January 2010 because of the closure of the State's last greyhound racetrack.

The Act also authorized an additional 0.25 FTE position in the Indian gaming program and a 0.40 FTE position in the charitable gaming program. In addition to its authorized permanent positions, the Division had four limited-term employees in FY 2011-12 to assist in completing bingo and raffle financial reviews and inspecting bingo premises.

State Gaming Revenue

Compacts require each tribe to pay the State a percentage of its net revenue from Class III gaming at tribal casinos, including slot machines and table games such as blackjack. These payments constitute the source of most of the State's gaming revenue. Revenue from all gaming sources was stable at approximately \$52 million each year from FY 2009-10 through FY 2011-12.

State gaming revenue funds the staffing and operations of the Division of Gaming. In FY 2011-12, the Division's expenditures were \$2.3 million, approximately three-quarters of which were for the salaries and fringe benefits of staff. After deducting the Division's FY 2011-12 expenditures, \$50.3 million in tribal gaming revenue remained, of which:

- \$25.2 million was lapsed to the General Fund;

Overall, tribal profits from gaming increased from \$543.4 million in 2009 to \$566.7 million in 2011.

- \$24.9 million was distributed to 16 state agencies and boards for programs that benefit Native Americans or a broader range of citizens; and
- \$161,700 was distributed to the Department of Justice (DOJ) for gaming enforcement.

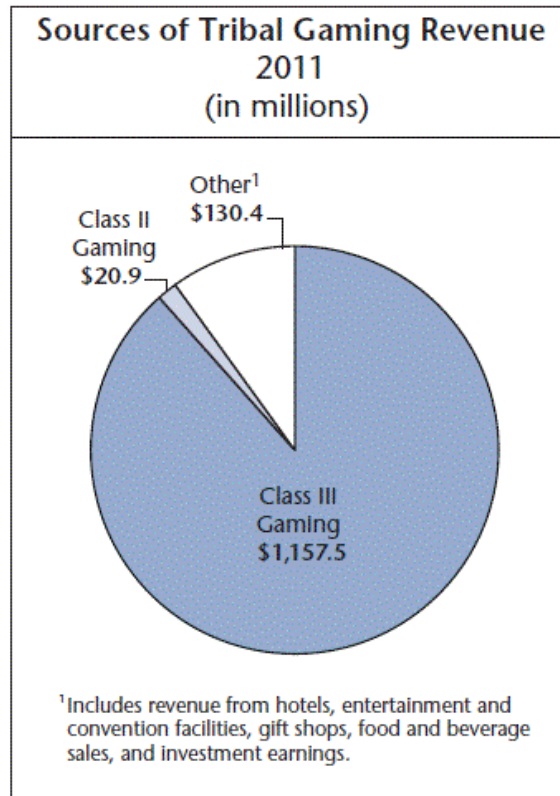
From FY 2009-10 through FY 2011-12, the Division approved 41 of 44 vendor certification applications.

The State's revenue from raffle fees totaled \$699,400 from FY 2009-10 through FY 2011-12.

Tribal Revenue from Gaming

Compacts require each tribe to contract for an annual independent audit of its gaming operations and to submit the audit report to the Division and our office. We may release financial information only in aggregated form.

Tribal gaming revenue from all sources was approximately \$1.3 billion in each year from 2009 through 2011. In 2011, most of this revenue was generated through Class III gaming. Tribal revenue from Class III gaming, which excludes amounts paid out in winnings, decreased by 2.6 percent from 2009 through 2011.



Tribes incur gaming expenses for general operations, including employee salaries and fringe benefits, promotion and marketing, and depreciation. Tribal gaming expenses decreased 4.9 percent, from \$780.2 million in 2009 to \$742.1 million in 2011. Tribal gaming profits, or revenue in excess of expenses, increased 4.3 percent, from \$543.4 million in 2009 to \$566.7 million in 2011.

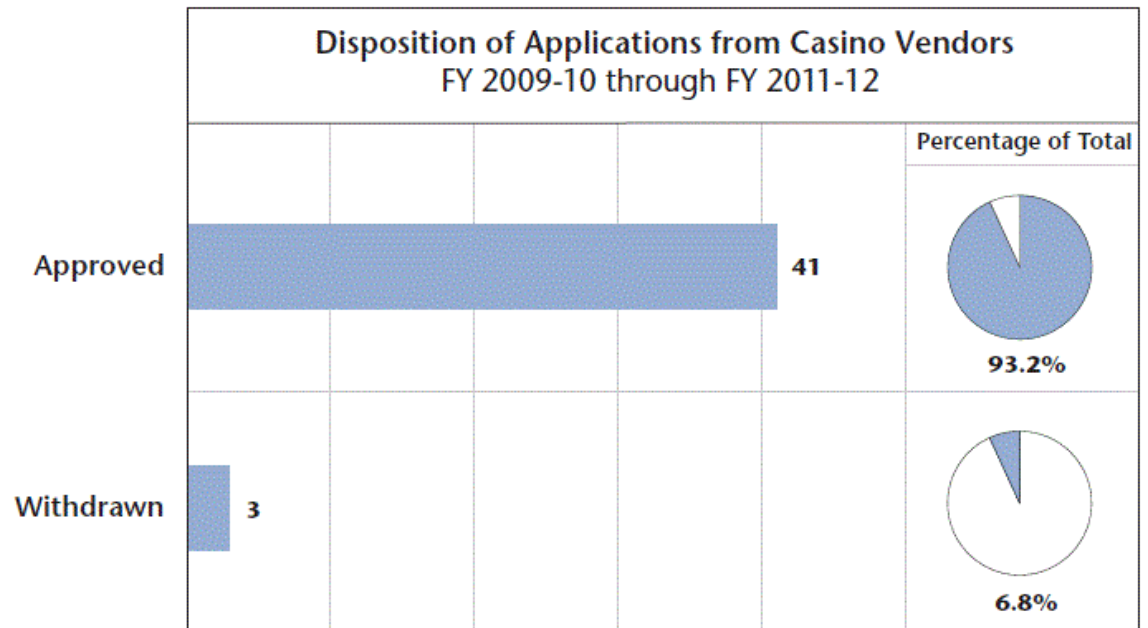
Oversight of Indian Gaming

The State's regulation of Indian gaming protects the interests of casino patrons, who expect the games to be fair, as well as both the tribes and the State, which depend on accurate accounting of revenue from Class III gaming activities to determine payments required under the compacts.

The Division conducts financial and compliance audits to verify tribal compliance with provisions of their compacts. From January 2010 through July 2012, it conducted 66 financial audits and 55 compliance audits. We analyzed the Division's working papers and other documentation associated with its 2011 and 2012 on-site financial and compliance audits of five casinos. The documents we reviewed were sufficient to show that the Division followed its audit procedures.

The compacts and statutes require DOA to certify the vendors that provide casinos with gaming-related products and services. From FY 2009-10 through FY 2011-12, the Division approved 41 of the 44 applications it received, and typically completed casino vendor certifications within six months. During the same period, the Division collected \$469,100 in certification fees. These fees are used to support general

program operations.



Other Gaming Activities

Any organizations for which contributions are deductible for state and federal income tax purposes may be licensed by the Division to conduct bingo or raffles.

The maximum prize value allowable for a single bingo game is \$500, and the total prize value for any playing session may not exceed \$2,500. From FY 2009-10 through FY 2011-12, the State's revenue from bingo activities totaled \$1.3 million.

The Division issues two types of raffle licenses. Class A raffle licenses limit the ticket price to a maximum of \$100 and Class B raffle licenses limit the ticket price to no more than \$10. From FY 2009-10 through FY 2011-12, the State's revenue from raffle license fees totaled \$699,400.

The Division also registers crane games. Revenue from one-time crane game registration fees totaled \$69,120.

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