

PANDEMIC HITS CASINO REVENUES

The pandemic's impacts on the entertainment industry have been widely reported, but less attention has been paid to the fallout for tribal casinos and state and local revenues. A recent state report shows that from 2020 to 2022 the state's general fund is projected for now to receive at least \$70 million less than originally expected from gaming revenues collected from the state's 11 federally recognized tribes. Besides adding to the state's budget challenges, this decline also exacerbates financial woes facing casino workers, local and tribal governments, and Native American households.

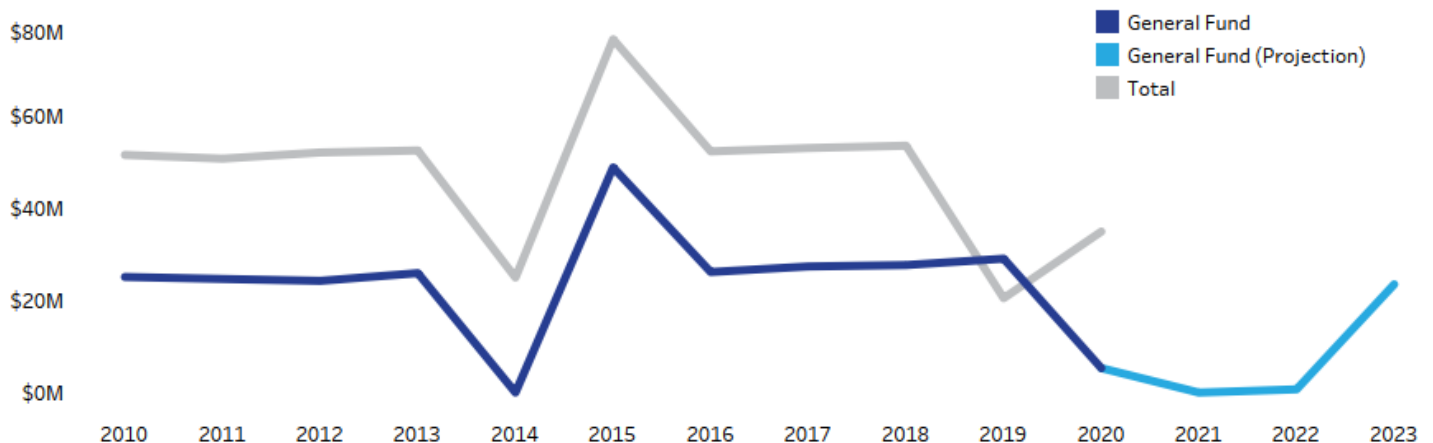
After five years of steady revenues, the tribal gaming payments that flow into the state's main fund declined by nearly 80% last year, according to recent figures from the state Department of Administration (DOA). Tribal gaming revenue going to the state's general fund totaled just \$5.3 million for the 2020 fiscal year ended on June 30, down from \$29.1 million in 2019 (see **Figure 1**). Overall tribal payments to the state are also being affected. However, these figures may overstate the long-term decline if tribes end up making delayed payments to the state later.

Tribal casinos closed for more than two months last spring during the lockdown period and reopened with reduced capacity and more limited demand. Other segments of tribal casino business including their hotels, restaurants, concerts, and events have also been severely impacted.

DOA recently projected there would not be sufficient payments from tribal casinos to allow for any revenues to the state's general fund in 2021, despite a projection made before the pandemic that more than \$27 million would flow to the fund. In addition, the state could see more modest declines in additional tribal gaming revenues that are allocated for specific purposes such as tourism, conservation, and services for tribal members.

The state is not the only affected party. Casino workers, local communities, and tribal governments and their social services will also see losses due to COVID-19. The Potawatomi Hotel & Casino in Milwaukee – the state's largest – was closed from mid-March to around June 8 and reportedly [laid off](#) about 1,600 workers, or more than half its workforce, in July. Dividend payments to tribal members also were suspended.

Figure 1: Pandemic Causes Decline in Gaming Revenues
Total* and general fund revenue from tribal gaming, 2010-2023



Source: Wisconsin Annual Fiscal Report (AFR); Legislative Fiscal Bureau

NOTE: The decline in revenues in 2014 and increase in 2015 reflects a withheld payment by the Forest County Potawatomi. Some payments in 2019 were also delayed.

* Total revenues include appropriations to specific departments.

The Oneida Nation's Green Bay casino and other facilities were closed from March 18 to May 26. Employment from gaming dropped from over 1,000 workers last year to close to 800 currently and, with restrictions in place on hours and the number of patrons, profits for 2021 are expected to decline more than 20%, according to a tribal official.

This financial hit will ripple through surrounding communities and is notable given that the median household income for Native Americans in Wisconsin already trailed the overall population prior to the pandemic.

THE STATE'S SHARE OF TRIBAL GAMING REVENUES

Following enactment of the 1988 federal Indian Gaming Regulatory Act, tribal governments nationwide were given the exclusive right to regulate gaming on their own land subject to certain conditions such as a gaming compact with the state. Each of Wisconsin's 11 tribal governments signed compacts, or agreements, with the state between 1991 and 1992 with renewals in the late 1990s in many cases and then major amendments around 2003.

Among the details spelled out in these compacts are provisions to regulate "Class III" casino-style games, including card games such as blackjack and slot machines (for more see this [Legislative Fiscal Bureau paper](#)). Class III gaming and the 24 facilities with such games are subject to extra rules and regulations compared to other forms of gaming.

Additionally, each compact calls for the tribe to pay the state a certain proportion of its "net win" – generally defined as Class III wagers minus any winnings paid out in cash or other kinds of prizes. Statewide, the Class III net win for tribal casinos totaled \$1.3 billion in 2019, according to LFB. The City of Milwaukee and Milwaukee County also receive a proportion of the net win from the Forest County Potawatomi Tribe, which owns and operates the Potawatomi Hotel & Casino; other compact payments include much lesser flat amounts that go to Ashland, Sawyer, and Bayfield counties.

The compacts often require the tribe to pay a higher percentage of the net win to the state as the net win rises. For example, the payment for the Bad River Band of the Lake Superior Tribe of Chippewa Indians starts at 1.75% of net win paid to the state, but increases to 5% if the net win is more than \$150 million. Notably, the

compacts provide for reducing tribal payments in the event of natural disasters that result in casino closures – COVID-19 would appear to trigger this clause.

The gaming revenues paid to the state are directed first to a set of programs that benefit tribal members and priorities but also the general public. As part of each two-year state budget, lawmakers and the governor approve a list of appropriations for such programs to approximately 20 different state agencies (see **Figure 2**). The total amount for the 2020 fiscal year was \$25.2 million.

However, these appropriations are established prior to the knowledge of each tribe's net win. Net win payments also have been delayed in the past because of concerns by tribes over state gaming regulation or compact implementation. For those reasons, on at least one occasion the tribal gaming payments have not covered the appropriated amount.

In most years, however, the net win and the resulting state share have exceeded budgeted appropriations and the excess amount has flowed to the state's general fund. Since 2004, the general fund has received such excess funds in every year except 2014, when the Potawatomi withheld payment due to a dispute over a casino proposed by the Menominee tribe (the potential Kenosha facility was ultimately denied).

Given the pain inflicted by the pandemic, tribal payments appear unlikely to cover budgeted appropriations for the current fiscal year (which ends June 30) and there also would be no excess funding available for the general fund. In theory, the appropriated amounts could still be spent by the various departments, but the state would have to work out how to cover these "overdraft" amounts.

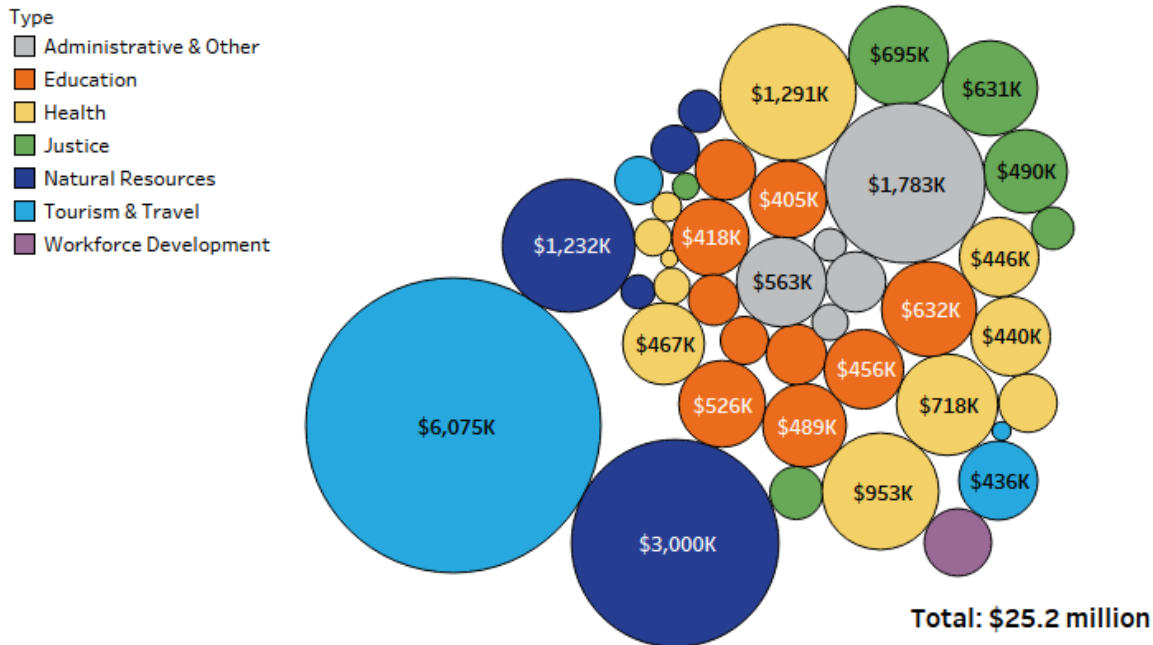
IMPACT ON STATE AND LOCAL GOVERNMENTS

In late 2018, DOA [projected](#) tribal gaming revenues would support a roughly \$27.0 million deposit to the state's general fund in both fiscal 2020 and 2021, in addition to a similar amount going to specific agency appropriations. In fact, tribal revenue to the general fund equaled just \$5.3 million in 2020. In November, DOA [projected](#) nothing for the general fund in 2021, just \$700,000 in 2022, and a rebound to \$23.5 million in 2023 (see **Figure 1**). However, the amounts for 2021 on are projections and might turn out to be incorrect if the pandemic recovery goes more quickly or if tribes end up



Figure 2: Tribal Gaming Payments Fund Myriad Programs

2020 spending on programs funded with gaming revenue by agency; scroll over for full description



Source: Legislative Fiscal Bureau

making delayed payments to the state as some representatives have said they will.

In addition, the city of Milwaukee is budgeting for its 2021 payment from Potawatomi casino revenues to drop from \$6.3 to \$5.8 million, or 8.4%. Milwaukee County is budgeting for its payment to drop from \$4.6 to \$3 million, or 34.5%. Each government makes its own independent estimate for budgeting purposes, which accounts for the differing projections. The Oneida Nation says it is in talks with local governments about its payments, which go to Brown and Outagamie counties, the village of Ashwaubenon, and Town of Oneida. The city of Green Bay is also discussing renewing a previous agreement with the tribe.

While the 2019-21 state budget allowed agencies to spend up to \$30.0 million in gaming revenues in 2020, only \$25.2 million was actually spent. This included \$6.3 million for tourism, \$4.6 million for natural resources, \$2.7 million for health services, and \$11.6 million for 16 other departments. Specific allocations include tourism marketing, conservation programs, a range of social services, and the revitalization of tribal languages (mouse over the bubbles in **Figure 2** for more information). Agencies are authorized to spend up to \$29.7 million in 2021 but that likely would require

taking money from a source such as the state's general fund to make up for depressed gaming revenues.

CONCLUSION

Tribal gaming represents less than 0.2% of the more than \$18 billion in state general fund revenue each year. Still, this drop-off – projected for now at least to be more than \$70 million in total over 2020, 2021, and 2022 – is notable in light of the programs supported by the revenues and the stress already being felt by the state budget.

The impact on tribal governments is much greater. Because casino revenues can make up the majority of some tribes' budgets, substantial shortfalls have led to cuts in services such as health care. Recent federal aid legislation will not necessarily offset all of these losses. Plummeting casino revenues also have wreaked havoc on casino workers and operations with ripple effects for local communities.

The impacts vary by tribe and by community and casino revenues will likely rebound as the pandemic eases and the economy strengthens. Yet state officials should at least bear these losses in mind as they consider their broader response to the pandemic and begin state budget deliberations in the coming weeks.

