



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #1103

Elimination of Racing-Related GPR Funding (DOA) Reduction of Racing-Related GPR Funding (DOJ)

[LFB Summary of the Governor's Budget Reform Bill: Page 11, #9 and Page 60, #1 (part)]

CURRENT LAW

The Division of Gaming in the Department of Administration (DOA) is appropriated \$2,218,300 PR in 2001-02 and \$164,100 GPR and \$2,054,200 PR in 2002-03 for general program operations relating to the regulation of racing and on-track pari-mutuel wagering. The Department of Justice (DOJ) is appropriated \$123,900 PR in 2001-02 and \$9,200 GPR and \$116,100 PR in 2002-03 for the performance of the Department's gaming law enforcement responsibilities relating to racing and on-track pari-mutuel wagering.

GOVERNOR

Delete \$164,100 GPR in 2002-03 provided to the Division of Gaming in DOA for racing-related regulation. The provision would eliminate all 2002-03 GPR funding for this purpose, but would not repeal the appropriation. Delete \$400 GPR in 2002-03 provided to DOJ for gaming-related enforcement, as part of the Department's 5% budget reductions in 2002-03.

DISCUSSION POINTS

1. Under 2001 Act 16, Wisconsin racetrack licensees will be allowed to retain, effective July 1, 2002, 50% of unclaimed winnings currently paid to the state. The provision first applies to prizes that are unclaimed on the 90th day after the effective date. As a result of the provision, state program revenue is estimated to decrease by \$173,300 in 2002-03. Act 16 provided \$173,300 GPR and deleted \$173,300 PR in 2002-03 to reflect this loss in program revenue, as follows: (a) \$164,100 GPR and -\$164,100 PR in DOA for racing-related regulation functions; and

(b) \$9,200 GPR and -\$9,200 PR in DOJ for gaming-related law enforcement activities. The GPR funding provided to both agencies represents about 7.4% of the total respective budgets for oversight of racing and pari-mutuel wagering. In both agencies, the GPR funding is allocated for supplies and services.

2. Although the GPR funding under Act 16, for both DOA and DOJ, was provided in a proportional manner, the provisions in the Governor's bill would make reductions in the two agencies that are inconsistent. In DOA, the GPR regulatory funding would be completely eliminated, while the DOJ GPR enforcement funding would be reduced by approximately 5%. In terms of the total racing-related budgets for the two agencies (which are primarily PR funded), the Governor's reduction would represent a 7.4% decrease for DOA and a 0.3% decrease for DOJ.

3. In 2000-01, DOA expenditures for racing regulation totaled \$2,059,200 PR. If the GPR funding for the Division of Gaming is eliminated, the Division would have expenditure authority of \$2,054,200 PR in 2002-03 for racing regulation. This level of PR funding appears to be adequate, particularly in view of the fact that racing-related regulatory work has decreased with the closing of the St. Croix Meadows racetrack on August 9, 2001. This closing was not a factor in the 2001-03 budget deliberations and no adjustment to funding was made in Act 16 to reflect this change. A DOA gaming official indicates that the elimination of the GPR funding is manageable in view of the current status of the racing industry in Wisconsin (with two racetracks remaining).

4. The Governor's recommendation would delete \$400 GPR from the \$9,200 GPR DOJ racing enforcement appropriation. It could be argued that the entire \$9,200 GPR could be eliminated. This would represent an overall 7.3% reduction and would leave \$116,100 PR in expenditure authority. Again, this may be viewed as manageable in light of the closing of the St. Croix Meadows racetrack. Further, if additional PR expenditure authority was needed at some point, a request by DOJ under s. 16.515 of the statutes could be made.

5. However, expenditures in 2000-01 from the DOJ appropriation totaled \$140,700 PR. This amount included supplemental funding for such items as pay plan and rent. DOJ budget officials indicate that retaining the GPR funding is desirable, given that enforcement costs are still expected to exceed the Department's PR expenditure authority in 2002-03 (\$116,100), despite the closing of one racetrack. An alternative to address these DOJ concerns would be to delete an additional \$8,800 GPR and replace it with additional expenditure authority of \$8,800 PR in 2002-03. Because excess racing revenue is transferred to the lottery fund for distribution of the lottery and gaming property tax credit, this alternative would reduce lottery fund proceeds by \$8,800.

6. The bill would eliminate the GPR funding in the DOA appropriation for racing regulation, but would not repeal the appropriation. It could be argued that, once eliminated, it is unlikely that GPR funds for this purpose would be restored. The Committee may wish, therefore, to repeal the GPR appropriation in DOA and, if the DOJ funding is eliminated, the GPR appropriation in DOJ as well.

ALTERNATIVES TO BILL

1. Approve the Governor’s recommendation to delete: (a) \$164,100 GPR in 2002-03 provided to the Division of Gaming in DOA for racing-related regulation; and (b) \$400 GPR in 2002-03 provided to DOJ for racing-related enforcement.

2. Approve the Governor’s recommendation and, in addition, repeal the GPR appropriation in DOA for racing-related regulation.

3. Modify the Governor’s recommendation by: (a) deleting an additional \$8,800 GPR in 2002-03 provided to DOJ for racing-related enforcement; and (b) repealing the GPR appropriation in DOA for racing-related regulation and the GPR appropriation in DOJ for racing-related enforcement.

Alternative 3	GPR
2001-03 FUNDING	- \$8,800

4. Modify the Governor’s recommendation by: (a) deleting an additional \$8,800 GPR and providing \$8,800 PR and 2002-03 to DOJ for racing-related enforcement; and (b) repealing the GPR appropriation in DOA for racing-related regulation and the GPR appropriation in DOJ for racing-related enforcement.

Alternative 4	GPR	PR	SEG	TOTAL
2001-03 FUNDING	- \$8,800	\$8,800	\$0	\$0
2001-03 REVENUE	\$0	\$0	- \$8,800	- \$8,800

5. Maintain current law.

Alternative 5	GPR
2001-03 FUNDING	\$164,500

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