



**SCOTT WALKER**  
**OFFICE OF THE GOVERNOR**  
**STATE OF WISCONSIN**

P.O. Box 7863  
MADISON, WI 53707

August 26, 2014

Senator Robert W. Wirth,  
Representative Tod Ohnstad,  
Senator John Lehman,  
Representative Peter Barca,  
Representative Cory Mason,  
Representative Samantha Kerkman,  
Representative Thomas Weatherston  
Kenosha and Racine Area Delegation  
Wisconsin State Capitol  
Madison, WI 53707-7882

Dear Senators and Representatives:

Thank you for your recent letter seeking an update on the Kenosha Casino. As you may know, the federal government, through the Bureau of Indian Affairs (BIA), took nine years to review the proposal from the Menominee Tribal Nation to build and operate a casino in Kenosha. I was notified of their approval of the project last August.

Soon after, I asked Secretary Mike Huebsch of the Wisconsin Department of Administration to begin working with the affected tribal nations within the parameters of each of the different tribal compacts negotiated by the administration of former Governor Jim Doyle. Specifically, I asked Secretary Huebsch to arrive at a position that allowed a win for the state financially, a win for the tribal nations involved and a win for the state's economy - in Kenosha and beyond.

Based on the significant and number of differences contained within each of the previously negotiated compacts and the potentially significant financial impact to the state, Secretary Huebsch has been working with special counsel and economists to obtain an updated comprehensive, independent economic and financial analysis of this project, while simultaneously entering into negotiations with each of the affected tribes.

Attached, please find an update on Secretary Huebsch's progress. As you will see, the extension requested from and approved by the BIA was necessary and prudent to ensure that our administration would have an appropriate amount of time to complete the necessary steps outlined in the tribal compacts negotiated by the previous administration.

As the memo explains, terms of the compacts approved by former Governor Doyle could lead to a significant financial problem for the State of Wisconsin if a casino is approved in Kenosha before we have reached agreements with the impacted tribes. Already, one of the tribal governments is withholding payments to the State and that is having a significant impact on the status of the State budget.

At least one of the tribal governments appears to believe that they could recover about \$100 million from the State - plus millions more through the process spelled out in the compacts and through the withholding of compact payments. This has already had a negative impact on the current budget and could very well create a program for future budgets worth hundreds of millions of dollars.

Needless to say, we are moving forward with legitimate caution as we cannot risk putting that size of a hole in the current and future State budgets. Therefore, we will take the appropriate time necessary to insure that we appropriately manage the finances of the State of Wisconsin.

Sincerely,

A handwritten signature in black ink, appearing to be 'S. Walker', written in a cursive style.

Scott Walker  
Governor

Enclosure



WISCONSIN DEPARTMENT OF  
ADMINISTRATION

SCOTT WALKER

GOVERNOR

MIKE HUEBSCH

SECRETARY

Office of the Secretary

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MEMORANDUM

Office of the Secretary, Department of Administration

DATE: August 26, 2014  
TO: Governor Scott Walker  
FROM: Secretary Mike Huebsch MDH  
RE: Update on the Proposed Kenosha Casino

At your direction we have been reviewing and evaluating the proposed Kenosha casino project intensely over the last year, since the federal government handed down its approval. As you know, the federal government took more than nine years to review this project and you must make a decision on the proposed Kenosha casino before February 19, 2015.

With this timeframe in mind, I wanted to provide you with an update on recent developments. We started working immediately when the federal government handed down its decision. Understanding that many years ago the State entered into complex and unique compacts with each tribe that conducts gaming, we identified three tribes—the Ho-Chunk Nation, Potawatomi, and Lac du Flambeau—that we would need to potentially indemnify, or offset losses based on the establishment of a new casino. While these three tribes' compacts have different processes, the Lac Du Flambeau waived their claim in writing on October 1, 2013. That left the State to deal with the provisions in the Ho-Chunk Nation and Potawatomi compacts, which were negotiated by Governor Doyle. The Ho-Chunk Nation Compact contains a relatively clear and defined process that addresses the State's obligations. The Potawatomi Compact does not contain a clear definition of indemnification. Instead, the Doyle Compact with the Potawatomi basically says the State must enter into arbitration to create a compact amendment that establishes a process. This compact amendment must then be submitted to the federal government. Due to the differences of the compacts, we have made significant progress with the Ho-Chunk Nation, but substantial challenges lie ahead with the Potawatomi.

The Potawatomi has failed to make its annual revenue sharing payment that was due June 30, 2014. This has already had a significant revenue impact on the State of Wisconsin.

It is still unclear how the compacts negotiated by Governor Doyle with the Potawatomi will play out. It appears the complicated provisions may have been designed to block a Kenosha casino. It is possible the impact of the Doyle compact provisions will not be fully known until early January. We do know the proposed Kenosha casino project is very likely to impact our State budget. This proposed project has already caused significant short-term revenue losses due to Potawatomi's failure to make its revenue sharing payment. As we continue to evaluate the long-term effects on our State budget and Wisconsin's economy as a whole, one thing is clear—taking action on the proposed Kenosha casino project prior to following the processes laid out in the Doyle compacts could cost taxpayers hundreds of millions of dollars.

As I referenced above, we have reached an agreement with the Ho-Chunk Nation. As prescribed by the Doyle compact with the Ho-Chunk Nation, if you approve the Kenosha casino, the Ho-Chunk Nation's annual revenue sharing payment would decrease by the impact caused by the Kenosha casino. We estimate the Ho-Chunk Nation may be relieved of future revenue sharing payments a few years after a fully operational Kenosha casino opens. Additionally, as set forth in the Doyle compact with the Ho-Chunk Nation, you and every subsequent Governor would be required to ask the Legislature for an appropriation to cover additional losses beyond Ho-Chunk Nation's annual revenue sharing payment. The State or the Ho-Chunk Nation can request to renegotiate payments annually based upon actual casino revenues.

Additionally, we have met numerous times with Menominee's leadership, in an effort to understand the full scale and scope of the proposed Kenosha casino. These meetings have helped our Division of Gaming move along the licensing process for those who may be potentially involved in this project. While we are still seeking more information, we have been assured that Menominee will provide that information within the next month.

Lastly, in addition to working with the impacted tribes, we continue to work closely with special counsel and economists to obtain an updated comprehensive, independent economic and financial analysis of the Kenosha casino proposal. This report will help us understand the financial and economic impact on the State of Wisconsin and its total impact on jobs.