

AS STATES APPROVE SPORTS BETTING, WISCONSIN DOES SO ON LIMITED SCALE

Since a 2018 court ruling, most U.S. states have legalized sports betting in retail and online settings. Wisconsin now permits it, but only when bets are placed on the lands of its tribal nations. Any potential attempt to further expand it here would face unique limits not present in most other states. Meanwhile, states that have broadly legalized online betting have reaped financial gains but also are encountering some negative impacts.

Recent years have brought a paradigm shift in the legality of sports betting in the United States, which until recently was banned in most parts of the country.

In the wake of a 2018 U.S. Supreme Court ruling, sports betting is now legal and operational in 38 states. (Voters in a 39th state, Missouri, legalized it in a Nov. 5 referendum; as of January 2025, it was not yet in place.) As shown in Figure 1, in 31 states, legalization has occurred for the next frontier: online sports betting.

Wisconsin is among the 38 states that have moved to legalize sports betting. But here it is permitted only on certain tribal lands and the premises of certain casinos operated by the state’s American Indian tribal nations. Revenue from these casinos have helped to finance state and local governments in Wisconsin as well as a

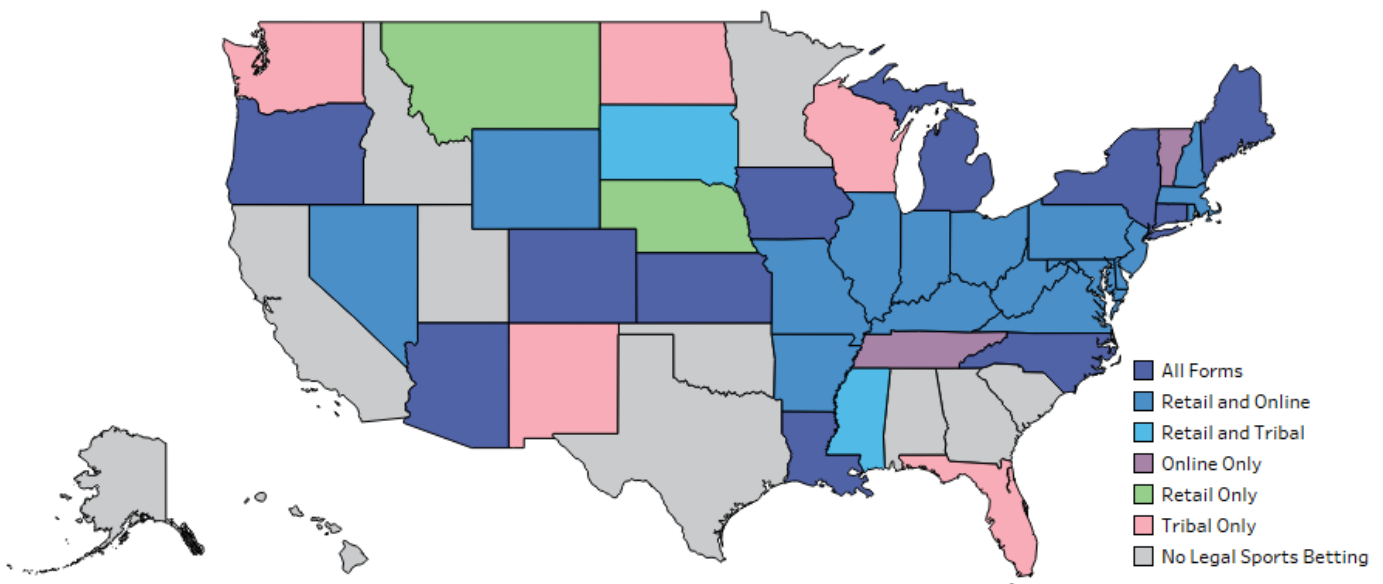
variety of programs and services for tribal members. Most forms of non-tribal gambling, including sports betting, are still banned by the Wisconsin Constitution.

Since the push to legalization began, states collectively have brought in hundreds of millions of dollars in tax revenue from sports gaming. The revenue increase has been especially large in states that now permit adults to place sports bets online.

New research suggests the availability of sports betting in some other states can negatively affect household finances, particularly in the case of low-income participants and online betting. However, the effects are not yet clear in Wisconsin, where casino games were already legal, and where sports betting is relatively new and not legally available to those not on tribal lands.

Figure 1: Most States Legalize Sports Betting

States’ sports betting legalization policies, including type of betting and operators, as of January 2025



Source: American Gaming Association. Note: Missouri voters legalized sports betting in a Nov. 5, 2024 referendum, but it is not yet operational.



STATES RUSH TO LEGALIZE

In 2018, the U.S. Supreme Court overturned the federal Professional and Amateur Sports Protection Act (PASPA), which had effectively banned sports betting throughout most of the nation. Four states that permitted sports betting prior to the law's passage -- Nevada, Delaware, Oregon, and Montana -- were grandfathered in and allowed to continue doing so after the ban's passage. Of those four, only Nevada had broadly legal sports betting in the format now commonly offered.

This law was enacted in 1992 as a response to state legislatures that were considering authorizing sports betting; its passage also came at [the urging of the leaders](#) of several professional sports leagues.

As part of litigation over a New Jersey law seeking to legalize sports betting in that state, the nation's high court in 2018 overturned the federal law, finding it infringed on states' lawmaking authority. In the aftermath of the ruling, many states scrambled to join New Jersey in authorizing sports betting.

As of January 2025, 37 states had legalized sports betting in authorized brick-and-mortar retail locations, primarily casinos, according to the American Gaming Association. Of those, five states including Wisconsin permitted sports betting only via gaming operations run by one or more of their state's tribal nations.

WISCONSIN'S CONSTITUTIONAL RESTRICTIONS

The state constitution prohibits most forms of gambling in Wisconsin, with the exceptions being bingo games, raffles, pari-mutuel betting such as on dog or horse racing, and the state lottery. As a result, most other types of gaming, including sports betting, only are permitted to be run by Wisconsin's tribal nations. Any effort to broaden access to sports betting in Wisconsin beyond tribal gaming, should policymakers or the public ever desire to do so, would require amending the state constitution.

Wisconsin's tribes own and operate casinos under terms outlined in compacts with the state. Prior to the U.S. Supreme Court ruling, these operations included electronic games of chance such as slot machines, and table games such as blackjack, poker, craps, and roulette. These "Class III games" are subject to greater

regulation. After the ruling, many of Wisconsin's tribal nations negotiated with the state to amend their compacts to allow sports gaming at their casinos.

The state has gaming compacts with Wisconsin's 11 federally recognized tribal nations. Of these, nine tribal nations have reached agreements with the state to amend their gaming compacts to authorize sports wagering as of Dec. 30, 2024, according to the state Department of Administration's Gaming Division. As of that date, six of those tribal nations -- the Oneida Nation, St. Croix Chippewa Indians of Wisconsin, Sokaogon Chippewa Community, Forest County Potawatomi, Lac Courte Oreilles Band, and Lac du Flambeau Band -- had sports gaming operations up and running in a total of 12 casinos throughout the state.

These operations primarily consist of retail sports betting, which is notable since in-person betting may allow for greater verification of characteristics such as an individual's age. The Oneida gaming operation allows patrons to use a mobile app to place bets. According to [the Gaming Division report](#), bets are permitted to be placed only when the patron is on casino premises or other tribal lands.

It should be noted that some amount of [illegal sports betting](#) -- in particular, online betting -- is occurring among residents of Wisconsin and other states where sports betting is less readily available. For example, an individual may bet via a local bookie, offshore betting site, or through a betting app in another state with the help of a friend or associate who resides there. However, quantifying the prevalence of such activity falls outside the scope of this report.

TRIBAL PAYMENTS RECOVER

The tribes use a share of the net win from their gaming operations, or the total amount wagered minus payouts to those who win, to support various services for tribal members and to an extent the public at large. In exchange for the tribes having exclusive rights to conduct certain types of games, their compacts also stipulate they make annual payments to the state. The compacts require the tribes to make certain lump sum payments to the state and to reimburse it for the cost of regulating casinos. The vast majority of these payments are calculated based on a share of each tribe's annual net win.



Revenues from these payments are appropriated to state programs, including gambling regulation at the state Department of Administration, and a range of health, veterans, higher education, and other programs that often serve tribal members. Current law stipulates that allocations to state agency programs are the first draw on tribal gaming revenues; any additional revenues are credited to the state’s general fund and help fund the state’s general operations.

Casino operations also help support local governments in Wisconsin through payments such as those made by the Potawatomi to the city of Milwaukee and Milwaukee County. In the same fashion, these revenues support tribal governments and services and in some cases payments made by the tribes to their members. It is worth noting that these tribal revenues and services benefit historically low-income areas and populations.

Tribal gaming payments remained relatively flat in the pre-pandemic years, as shown in Figure 2. As many casinos were closed during the COVID-19 pandemic, tribal gaming revenues – and payments to the state – plummeted in fiscal year 2020, before increasing in each year thereafter. These payments rose to slightly above pre-pandemic levels (\$57.6 million) in nominal terms in fiscal year 2022, then increased again to \$65.9 million in 2023. In 2024, they increased slightly to \$66.3 million. State figures, however, do not break down what share of this growth is due to sports betting compared to other types of gaming.

Notably, the tribal compacts stipulate that if the state constitution is changed to allow non-tribal entities to conduct additional types of gambling, including sports betting, then the tribes would no longer be obliged to continue making these payments to the state.

MASSIVE REVENUE GROWTH

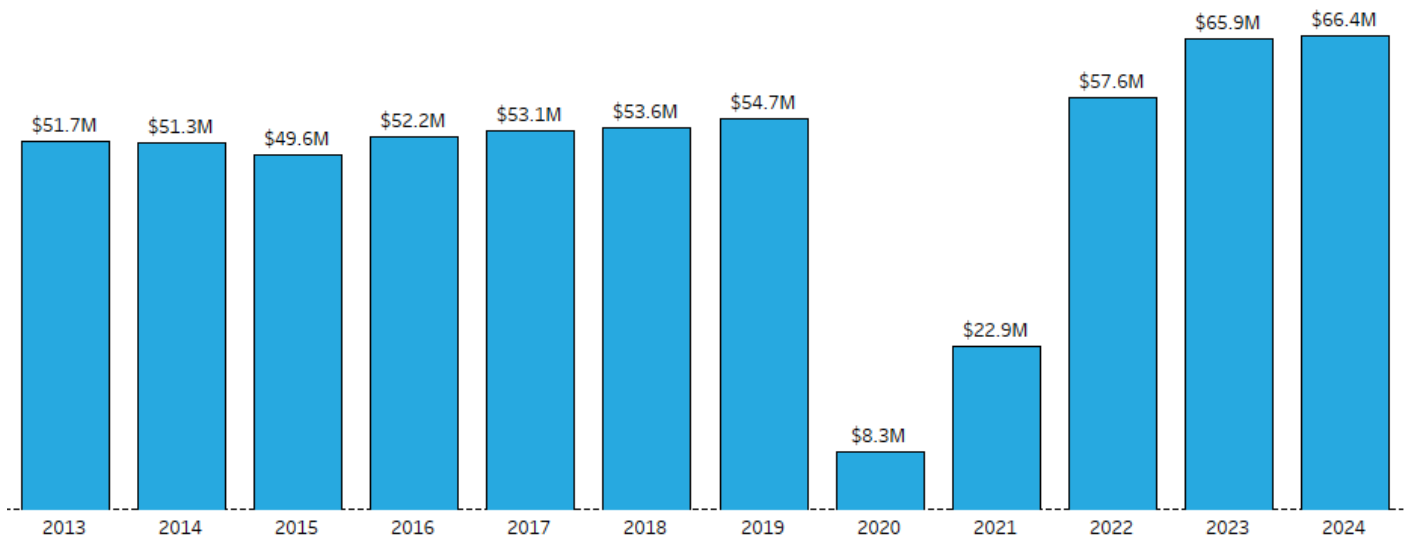
The flood of states legalizing sports betting unleashed rapid growth in the industry’s revenues. Since 2020 alone, gross gaming revenue from sports betting nationwide has increased nearly tenfold – from \$352 million in the third quarter of calendar year 2020 to \$3.24 billion in the third quarter of 2024, [American Gaming Association data show](#). In just the past year alone, such revenues increased more than 42%.

This growth also has corresponded with a sharp increase in revenues flowing into public coffers via state and local taxes, fees, or payments stemming from sports gaming. Since the rush to legalization began, states collectively have already collected hundreds of millions of dollars in tax revenues, primarily from online betting, according to the [National Conference of State Legislatures](#) (NCSL).

The increased revenue can begin flowing quickly after legalization, particularly when online betting is approved. According to NCSL, New York and Arkansas both saw sizable upticks in gaming tax revenue collections almost immediately after they expanded sports betting to include online options in 2022.

Figure 2: Tribal Gaming Payments Hit New High After Pandemic Plunge

Class III* tribal gaming payments, 2013-2024



Source: Wisconsin Department of Administration, Division of Gaming, Office of Indian Gaming and Regulatory Compliance. *Class III games include banking card games, slot machines, and other casino-style games such as blackjack, poker, craps, and roulette. Dollar amounts are nominal.



State tax rates on sports betting vary widely, from as little as 6.75% in Iowa to 51% in New York and Rhode Island. Some states have a flat tax rate on all betting while some impose different rates for retail compared to online betting – with more states taxing online betting at a higher rate.

There are also broad differences in where states direct these tax revenues. Some have opted to use them to fund specific programs; several of these states specifically provide funding for services for people struggling with addictive or compulsive gambling behaviors. Other states simply allot their gaming tax revenues to their general fund.

SOCIETAL IMPACTS

As sports betting legalization has spread, 2024 brought the release of research examining its social impacts. While it has had a public benefit in the form of new tax revenues to fund public services, this research suggests that there also can be downsides.

Several national studies have found that household finances in states where sports betting has been legalized – online sports betting in particular – have been negatively affected, particularly among low-income households. [One 2024 paper](#) found that in states that legalized sports gambling, there followed increased rates of bankruptcy, debt sent to collections, use of debt consolidation loans, and auto loan delinquencies. The study found these results “are substantially stronger for states that allow online sports gambling compared to states that restrict access to in-person betting.”

Much more needs to be learned about the outcomes of sports betting legalization, which only occurred a few years ago in most states. It is worth noting that impacts in Wisconsin could be different since there was already casino gaming in the state and most sports betting here is in person rather than online. Still, these and other studies together point to the importance of monitoring its overall impacts.

CONCLUSION

The last six years brought a sea change in the legality of sports betting in most parts of the United States. This has created economic activity in these places and brought significant amounts of new revenue into state coffers to fund public programs.

Wisconsin has chosen a path of permitting sports betting on a limited scale that situates us between states with no sports betting and the 30 states that permit online betting. This latter form of gambling has the greatest revenue-generating potential for states, but early national research suggests it may also be associated with more problematic outcomes.

One clear pathway to legalize online sports betting in Wisconsin would be to amend the state constitution, which would require a vote by lawmakers in two consecutive legislative sessions and then approval by voters in a statewide referendum. Such a step would likely forfeit the state’s revenues from tribal gaming payments, which totaled more than \$66 million in 2024. Thus, any consideration of new revenues from taxing this activity would also need to account for these losses as well as impacts to certain local governments in Wisconsin such as Milwaukee and Milwaukee County and the state’s 11 federally recognized tribes and their members.

A recent case in federal court offers another potential template for a more limited legalization of online sports betting here. In 2021, the state of Florida agreed to a compact that gave the Seminole tribe exclusive authority to conduct online sports betting with users anywhere in that state so long as they were placing bets through a server located on tribal lands. The terms of the compact were challenged in federal court and upheld by an appellate court. The U.S. Supreme Court declined to review the appellate ruling last year.

This creates a potential precedent for a Wisconsin tribe to seek to renegotiate the terms of its compact with the state to allow online sports betting with customers around the state through a server on tribal land. Though this possibility remains for now hypothetical, policymakers and the public may wish to consider and discuss their views on it. The legal landscape for sports betting has shifted rapidly in just a few years and may continue to do so.

While gambling has long been available in the United States in both legal and illicit forms, this new form of online betting marks a significant shift in the speed and ease with which it can be accessed. Any consideration of further legalizing it in Wisconsin would require balancing its potential benefits with an understanding of what it means to make legal gambling available in all places and at all times, with just a few taps on a screen.

