

Director: Paul Bullis

JLBC Analyst: Brian Schmitz

	FY 2002 Actual	FY 2003 Estimate	FY 2004 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	75.0	75.0	105.0
Personal Services	2,632,500	2,740,200	4,020,200
Employee Related Expenditures	547,800	648,700	1,385,400
Professional and Outside Services	764,700	951,200	2,198,000
Travel - In State	186,300	197,000	492,200
Travel - Out of State	85,600	142,900	205,900
Other Operating Expenditures	623,900	680,300	1,249,200
Equipment	285,200	0	1,369,100
AGENCY TOTAL	5,126,000	5,360,300	10,920,000^{1/2/3/}

FUND SOURCES

Other Appropriated Funds

Arizona Benefits Fund	0	1,394,300	9,391,400
Tribal State Compact Fund	5,126,000	3,966,000	1,528,600
SUBTOTAL - Other Appropriated Funds	5,126,000	5,360,300	10,920,000
AGENCY TOTAL	5,126,000	5,360,300	10,920,000

AGENCY DESCRIPTION — *The Department of Gaming regulates Indian gaming activities authorized by the tribal-state gaming compacts. The agency is funded from the Arizona Benefits Fund, which receives a portion of Indian gaming revenues to pay for regulation of tribal gaming and prevention of problem gambling. In addition, the agency receives monies from the Tribal State Compact Fund, which consists of monies paid by gaming vendors and gaming employees for their certification.*

PERFORMANCE MEASURES	FY 2002 Appropriation	FY 2002 Actual	FY 2003 Appropriation	FY 2004 Appropriation
• % of gaming facilities reviewed for compact compliance	80	71	80	80
• Number of machines certified	8,350	5,546	8,350	--
• Number of individual applications received	11,500	12,383	12,000	--
• % of vendor customers satisfied with process	98	95	99	96
• Administration as a % of cost	9	NA	9	9

Comments: The agency did not submit information for any measure labeled as “NA.”

Technical Adjustments — The FY 2004 approved amount includes technical adjustments for Employee Related Expenditures, Risk Management charges, rent charges, Other Fund health and dental insurance charges, Other Fund retirement charges, and Other Fund AFIS charges. *(Please see the General Provisions section at the end of this Appropriations Report for further details on these changes.)*

Implementation of Proposition 202 — The implementation of Proposition 202 in the spring of 2003 allows Indian casinos to increase their numbers of slot machines and table games. This expansion of Indian gaming results in increased regulatory responsibilities for the Department of Gaming.

^{1/} The \$1,291,500 in FY 2004 for the Joint Monitoring System is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations, until June 30, 2005. (General Appropriation Act footnote)

^{2/} Prior to the expenditure of \$1,291,500 for the Joint Monitoring System in FY 2004, the Department of Gaming shall receive approval for the project from the Information Technology Authorization Committee. (General Appropriation Act footnote)

^{3/} General Appropriation Act funds are appropriated as a Lump Sum by Agency.

The approved amount includes an Arizona Benefits Fund increase of \$7,997,100 above FY 2003 for regulation of the new slot machines and table games. The increase includes 4 different issues:

- \$2,463,800 for a funding shift from the Tribal State Compact Fund to the Arizona Benefits Fund and does not represent new funding for the agency. Prior to Proposition 202, the Tribal State Compact Fund used to receive revenue for gaming regulation. These monies are now deposited in the Arizona Benefits Fund.
- \$1,291,500 for the development of a joint monitoring system that will create an online connection between the Department of Gaming and the urban casinos.
- \$951,100 for the prevention of problem gambling. The Arizona Benefits Fund receives a portion of tribal gaming payments and this fund source is used to pay for regulation of tribal gaming and prevention of problem gambling.
- \$3,290,700 for 28 FTE Positions for the following purposes: 7 special investigators for card room regulation, 4 machine compliance technicians for

regulating the increased number of slot machines, 7 field auditors for auditing compact compliance, 6 revenue sharing auditors for ensuring compliance with revenue sharing procedures, 3 joint monitoring system IT staff, and 1 accountant.

The approved amount also includes a Tribal State Compact Fund decrease of \$(2,437,400) and an increase of 2 FTE Positions above FY 2003 for certification of prospective gaming employees and vendors. The Tribal State Compact Fund receives monies from gaming vendors and gaming employees and this fund source is used to pay for their certification. The decrease in funding is due to the shifting of \$(2,463,800) in enforcement duties over to the Arizona Benefits Fund (*see above*). The increase in FTE Positions is attributable to an increase in the number of gaming employees resulting from table games.

The following table displays the projected distribution of tribal gaming contributions in FY 2004.

<u>Recipient</u>	<u>Prop. 202 Formula</u>	<u>Amount</u>
Local Governments	12% of total	\$6.5 M
State Government	88% of total	\$47.5 M
Total	100% of total	\$54.0 M
<u>Allocation of State Government's Share</u>		
Department of Gaming – Regulation	\$8 Million, or 9%, whichever is greater	\$8.0 M
Department of Gaming – Problem Gambling	2% of state share	\$0.9 M
Instructional Improvement Fund	56% of remainder	\$21.6 M
Trauma and Emergency Services Fund	28% of remainder	\$10.8 M
Arizona Wildlife Conservation Fund	8% of remainder	\$3.1 M
Tourism Fund	8% of remainder	\$3.1 M

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