

## Department of Gaming

JLBC: Brian Schmitz  
OSP: Theresa Garcia

DESCRIPTION	FY 2003	FY 2004	FY 2005	
	ACTUAL	ESTIMATE	OSP	JLBC
<b>OPERATING BUDGET</b>				
<i>Full Time Equivalent Positions</i>	75.0	105.0		105.0
Personal Services	2,797,900	4,163,000		4,163,000
Employee Related Expenditures	599,700	1,385,400		1,385,400
Professional and Outside Services	579,700	1,147,600		1,147,600
Travel - In State	148,800	492,200		492,200
Travel - Out of State	124,200	162,400		162,400
Other Operating Expenditures	646,500	1,249,200		809,600
Equipment	151,900	1,369,100		1,369,100
<b>OPERATING SUBTOTAL</b>	<b>5,048,700</b>	<b>9,968,900</b>		<b>9,529,300</b>
<b>SPECIAL LINE ITEMS</b>				
Problem Gambling	0	951,100		1,512,800
<b>AGENCY TOTAL</b>	<b>5,048,700</b>	<b>10,920,000</b>		<b>11,042,100</b>

### FUND SOURCES

<u>Other Appropriated Funds</u>				
Arizona Benefits Fund	1,083,800	9,391,400		9,512,800
Tribal State Compact Fund	3,964,900	1,528,600		1,529,300
SUBTOTAL - Other Appropriated Funds	5,048,700	10,920,000		11,042,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>5,048,700</b>	<b>10,920,000</b>		<b>11,042,100</b>
<b>TOTAL - ALL SOURCES</b>	<b>5,048,700</b>	<b>10,920,000</b>		<b>11,042,100</b>

### CHANGE IN FUNDING SUMMARY

#### FY 2004 to FY 2005 JLBC

	\$ Change	% Change
Other Appropriated Funds	122,100	1.1%
Total Appropriated Funds	122,100	1.1%
Total - All Sources	122,100	1.1%

**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 2003	FY 2003	FY 2004	FY 2005
	Appropriation	Actual	Appropriation	Recommend.
• % of gaming facilities reviewed for compact compliance	80	30	80	--
• % of tribes reviewed (NEW)	--	--	--	100
• % of vendor customers satisfied with process	99	95	96	96
• Administration as a % of cost	9	NA	9	5.8

**Comments:** The agency reports that it will begin conducting compact compliance reviews under the new compacts in FY 2004. These compliance reviews will be conducted by tribe, and by FY 2005 the department expects to be conducting a compact compliance review for each tribe. The agency did not submit information for any measure labeled as "NA."

**RECOMMENDED CHANGES FROM FY 2004**

**Operating Budget**

The JLBC recommends \$9,529,300 for the operating budget in FY 2005. This amount includes \$8,000,000 from the Arizona Benefits Fund and \$1,529,300 from the Tribal State Compact Fund. These amounts would fund the following adjustments:

**Lease Costs** **OF** **\$700**  
 The JLBC recommends an increase of \$700 from the Tribal State Compact Fund for lease costs.

**Budget Alignment** **OF** **(440,300)**  
 The JLBC recommends a decrease of \$(440,300) from the Arizona Benefits Fund to align the agency’s budget with the terms of Proposition 202. Based on the projected distribution of tribal gaming contributions in FY 2005, \$8,000,000 will be allocated to the Department of Gaming for regulation and \$1,512,800 for problem gambling. This adjustment aligns the JLBC recommendation with the amount that Proposition 202 will allocate to the agency. In FY 2004, the agency’s appropriation exceeded its allocation from Proposition 202 due to technical adjustments that were added to the agency’s budget.

In the agency’s number table on the previous page, the \$(440,300) adjustment was made by removing this amount from the Other Operating Expenditures line. However, because of the lump sum nature of the agency’s budget, the department could make this adjustment to any of the operating budget lines.

**Special Line Items**

**Problem Gambling**

The JLBC recommends \$1,512,800 from the Arizona Benefits Fund for Problem Gambling in FY 2005. This amount would fund the following adjustment:

**Statutory Adjustment** **OF** **561,700**

The JLBC recommends an increase of \$561,700 from the Arizona Benefits Fund for problem gambling. Pursuant to Proposition 202, the department receives 2% of tribal gaming contributions for use in preventing and treating problem gambling. Since the total amount of tribal gaming contributions is projected to increase in FY 2005, the agency’s allocation of problem gambling money will increase as well. Monies in the Problem Gambling Special Line Item are used for the prevention and treatment of problem gambling. We have transferred the Problem Gambling monies from the Professional and Outside Services line of the operating budget into this new special line item. Given the specific statutory allocation for problem gambling, the special line will separate these dollars from the rest of the budget.

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**JLBC RECOMMENDED FORMAT** — Operating Lump Sum with Special Line Items by Agency. *(In the FY 2004 budget, the department had a Lump Sum by Agency format. The JLBC recommends adding the Problem Gambling Special Line Item to the FY 2005 budget in order to highlight this item.)*

**JLBC RECOMMENDED FOOTNOTES**

*Deletion of Prior Year Footnotes*

The JLBC recommends deleting the one-time footnote concerning the appropriation in FY 2004 for the Joint Monitoring System being exempt from lapsing.

The JLBC recommends deleting the one-time footnote concerning the requirement that the agency receive approval from the Information Technology Authorization Committee prior to the expenditure of funds for the Joint Monitoring System in FY 2004.

**OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

**Distribution of Tribal Gaming Contributions**

The following table displays the projected distribution of tribal gaming contributions in FY 2004 and FY 2005.

<u>Recipient</u>	<u>Prop. 202 Formula</u>	<u>FY 2004</u>	<u>FY 2005</u>
Local Governments	12% of total	\$6,484,600	\$10,314,700
State Government	88% of total	47,553,600	75,641,000
<b>Total</b>	<b>100% of total</b>	<b>\$54,038,200</b>	<b>\$85,955,700</b>
<b>Allocation of State Government’s Share</b>			
Department of Gaming – Regulation	\$8 Million, or 9%, whichever is greater	8,000,000	8,000,000
Department of Gaming – Problem Gambling	2% of state share	951,100	1,512,800
Instructional Improvement Fund	56% of remainder	21,617,400	37,031,700
Trauma and Emergency Services Fund	28% of remainder	10,808,700	18,515,900
Arizona Wildlife Conservation Fund	8% of remainder	3,088,200	5,290,300
Tourism Fund	8% of remainder	3,088,200	5,290,300

SUMMARY OF FUNDS	FY 2003 Actual	FY 2004 Estimate
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**Arizona Benefits (GMA2350/A.R.S. § 5-601.02)**

**Appropriated**

**Source of Revenue:** Indian tribes which have gaming compacts with the state pay a portion of their gaming revenues to the state.

**Purpose of Fund:** To pay for regulation of tribal gaming and prevention of problem gambling. In addition, the Arizona Benefits Fund distributes monies to various state funds. *(See individual agency pages for detailed information on each recipient.)*

<b>Funds Expended by Department of Gaming</b>	1,083,800	9,391,400
<b>Funds Transferred</b>		
Instructional Improvement Fund	0	21,617,400
Trauma and Emergency Services Fund	0	10,808,700
Arizona Wildlife Conservation Fund	0	3,088,200
Tourism Fund	0	<u>3,088,200</u>
<b>Total Funds Transferred</b>	0	38,602,500
<b>Year-End Fund Balance</b>	2,500	0

**Tribal State Compact (GMA2340/A.R.S. § 5-601)**

**Appropriated**

**Source of Revenue:** The fund receives monies from gaming vendors and gaming employees to pay for their certification.

**Purpose of Fund:** To reimburse the department's certification costs.

<b>Funds Expended</b>	3,964,900	1,528,600
<b>Year-End Fund Balance</b>	884,100	901,000

[Click here to return to the Table of Contents](#)