

Director: Paul Bullis

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	FY 2004 Actual	FY 2005 Estimate	FY 2006 Approved	FY 2007 Approved
OPERATING BUDGET				
<i>Full Time Equivalent Positions</i>	105.0	105.0	115.0 ^{1/}	118.0 ^{1/}
Personal Services	2,791,400	3,502,200	3,797,200	3,935,200
Employee Related Expenditures	722,200	1,196,100	970,200	1,005,800
Professional and Outside Services	259,600	817,100	817,100	817,100
Travel - In State	263,100	475,200	475,200	475,200
Travel - Out of State	57,700	87,400	87,400	87,400
Other Operating Expenditures	590,100	623,300	928,200	928,200
Equipment	723,500	1,298,700	924,700	751,100
OPERATING SUBTOTAL	5,407,600	8,000,000	8,000,000^{2/}	8,000,000^{2/}
SPECIAL LINE ITEMS				
Casino Operations Certification	1,512,700	1,594,500	1,896,000	1,810,500
Problem Gambling	406,000	1,812,800	1,812,800	1,812,800
AGENCY TOTAL	7,326,300	11,407,300	11,708,800	11,623,300

FUND SOURCES

<i>Other Appropriated Funds</i>				
Arizona Benefits Fund	5,813,600	9,512,800	9,512,800	9,512,800
State Lottery Fund	0	300,000	300,000	300,000
Tribal State Compact Fund	1,512,700	1,594,500	1,896,000	1,810,500
SUBTOTAL - Other Appropriated Funds	7,326,300	11,407,300	11,708,800	11,623,300
SUBTOTAL - Appropriated Funds	7,326,300	11,407,300	11,708,800	11,623,300
TOTAL - ALL SOURCES	7,326,300	11,407,300	11,708,800	11,623,300

AGENCY DESCRIPTION — The Department of Gaming regulates tribal gaming activities as authorized by the Arizona Tribal-State Gaming Compact. The agency is funded by the Arizona Benefits Fund, which receives a portion of tribal gaming revenues to pay for regulation of tribal gaming and prevention of problem gambling. The agency is also responsible for certifying casino employees and vendors working with casinos. The department receives monies from the Tribal-State Compact Fund from casino employee and vendor applicants.

PERFORMANCE MEASURES	FY 2003	FY 2004	FY 2006
	Actual	Actual	Approved
• % of gaming facilities reviewed for compact compliance	30	28	100
• % of vendor customers satisfied with process	95	95	96

Comments: The customer satisfaction rating provided by vendor applicants has remained at 95% since the vendor certification process began. The agency states that the percentage of gaming facilities reviewed for compact compliance includes only those facilities where the entire review process was completed. The percentage does not include 68% of facilities where only the field work portion of the review process was completed.

^{1/} Includes 29 OF FTE Positions funded from Special Line Items in FY 2006 and FY 2007.

^{2/} General Appropriation Act funds are appropriated as a Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget provides \$8,000,000 from the Arizona Benefits Fund for the operating budget in FY 2006 and FY 2007. Pursuant to A.R.S. § 5-601.02 and the Tribal-State Compacts, the department's operating budget is capped based on the level of tribal revenues received by the state. This revenue cap limits the department's operating budget to the greater of \$8,000,000 or 9% of state tribal gaming revenues. The FY 2006 budget provides \$8,000,000 as 9% of projected FY 2006 revenues is less than \$8,000,000. (See table below for more information on projected state revenues.) Since the budget appropriated the maximum allowed under the revenue cap, the Department of Gaming did not receive any statewide adjustments.

The approved amount includes an increase of \$374,000 and 7 FTE Positions from the Arizona Benefits Fund in FY 2006 and an increase of \$548,600 and 10 FTE Positions in FY 2007 for statewide enforcement staffing increases.

Relative to FY 2004, the amount of tribal gaming facilities is projected to increase from 22 to 24 in FY 2006 and further increase in FY 2007 to 25 casinos. The number of gaming machines is also anticipated to increase to 12,546 in FY 2006 and further increase to 12,847 in FY 2007. Additionally, the amount of card rooms is anticipated to increase by 17% in FY 2006 (from 29 to 34) and further increase by 6% in FY 2007 (from 34 to 36). The budget increases the department's enforcement staff in recognition of this additional workload.

The approved amount includes a decrease of \$(374,000) from the Arizona Benefits Fund in FY 2006 and a decrease of \$(548,600) in FY 2007 for reduced equipment expenditures associated with the Joint Monitoring System. This funding decrease will offset the Enforcement Division staffing increase in order to keep the department's appropriated operating budget within its \$8,000,000 revenue cap.

Special Line Items

Casino Operations Certification

The budget provides \$1,896,000 and 26 FTE Positions from the Tribal State Compact Fund for Casino Operations Certification in FY 2006 and \$1,810,500 and 26 FTE Positions in FY 2007.

The department has the responsibility for evaluating and certifying all vendors that provide over \$10,000/month of goods and services to tribal gaming facilities and all tribal gaming employees (excluding food and beverage personnel who are certified by the relevant Tribal Gaming Office). An individual certification application fee for casino employees is \$250, while vendor application fees

range between \$1,500 and \$5,000, as defined by the Tribal-State Compacts. These fees provide funding for the Casino Operations Certification Special Line Item (SLI). Monies in this SLI are not included in the \$8,000,000 operating budget cap.

The approved amount includes an increase of \$80,200 from the Tribal State Compact Fund in FY 2006 and an increase of \$13,300 in FY 2007 for statewide adjustments. (Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)

Certification Division Staffing

The budget provides an increase of \$169,100 and 3 FTE Positions from the Tribal State Compact Fund in FY 2006 and FY 2007 for increasing Certification Division staffing. Relative to FY 2004, the quantity of vendor certification applications is projected to increase from 474 to 579 in FY 2006 and further increase in FY 2007 to 622 due to increased tribal gaming. The addition of 3 FTE Positions would maintain FY 2004 workload levels.

Motor Pool

The budget provides an increase of \$52,200 from the Tribal State Compact Fund in FY 2006 and an increase of \$33,600 in FY 2007 for additional motor pool vehicles. The recommended amount would provide funding for 3 new vehicles in FY 2006, 1 new vehicle in FY 2007, and the monthly fleet management expenses associated with the vehicles. FY 2006 and FY 2007 one-time monies associated with the automobile acquisitions are \$36,000 and \$12,000, respectively.

Problem Gambling

The budget provides \$1,812,800 for Problem Gambling in FY 2006 and FY 2007. These amounts consist of \$1,512,800 from the Arizona Benefits Fund and \$300,000 from the Lottery Fund. These amounts are unchanged from FY 2005.

Monies in the Problem Gambling SLI are used by the department's Office of Problem Gambling for the prevention and treatment of problem gambling. This is accomplished by contracting with providers for the treatment of gambling addicts, advertising a toll free helpline, overseeing problem gambler self-exclusion, and posting problem gambling advertisements at casinos. The Arizona Benefits Fund contributes 2% of total distributions into the Problem Gambling SLI. Monies in this SLI are not included in the \$8,000,000 operating budget cap.

Other Issues

Aggregate Gross Gaming Revenue

The Department of Gaming estimates that Arizona tribes collectively generated Aggregate Gross Gaming Revenue in FY 2004 of \$1,349,801,900.

Tribal Gaming Contributions

Tribal organizations pay a percentage of their net win (gaming revenue minus payout) to the state. The contribution rates are as follows:

- 1% of the first \$25 million in net win
- 3% of the next \$50 million
- 6% of the next \$25 million
- 8% of net win in excess of \$100 million.

Distribution of Tribal Gaming Contributions

The following table displays the actual distribution of tribal gaming contributions in FY 2005 and the Department of Gaming's projected distribution in FY 2006.

<u>Recipient</u>	<u>Proposition 202 Formula</u>	<u>Actual FY 2005</u> ^{1/}	<u>Projected FY 2006</u>
Local Government Contribution	12% of total	\$ 8,916,200	\$ 9,221,700
State Government Contribution	88% of total	<u>65,385,300</u>	<u>67,626,000</u>
<i>Total</i>	<i>100% of total</i>	<i>\$74,301,500</i>	<i>\$76,847,700</i>
<u>Allocation of State Government's Share</u>			
Department of Gaming - Regulation	\$8 million, or 9%, whichever is greater	\$ 8,000,000	\$ 8,000,000
Department of Gaming - Problem Gambling	2% of original state share	1,307,700	1,352,500
Instructional Improvement Fund	56% of remainder	31,403,500	32,633,100
Trauma and Emergency Services Fund	28% of remainder	15,701,700	16,316,600
Arizona Wildlife Conservation Fund	8% of remainder	4,486,200	4,661,900
Tourism Fund	8% of remainder	4,486,200	4,661,900
^{1/} The numbers displayed herein represent monies distributed to agencies and may not correspond directly with agencies' actual expenditures or appropriation amounts.			