

Department of Gaming

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DESCRIPTION	FY 2004 ACTUAL	FY 2005 ESTIMATE	FY 2006 JLBC	FY 2007 JLBC
OPERATING BUDGET				
<i>Full Time Equivalent Positions</i>	105.0	105.0	115.0	118.0
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	8,000,000
SPECIAL LINE ITEMS				
Casino Operations Certification	1,512,700	1,594,500	1,829,100	1,810,500
Problem Gambling	406,000	1,812,800	1,812,800	1,812,800
AGENCY TOTAL	7,326,300	11,407,300	11,641,900	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	1,829,100	1,810,500
SUBTOTAL - Other Appropriated Funds	7,326,300	11,407,300	11,641,900	11,623,300
SUBTOTAL - Appropriated Funds	7,326,300	11,407,300	11,641,900	11,623,300
TOTAL - ALL SOURCES	7,326,300	11,407,300	11,641,900	11,623,300

CHANGE IN FUNDING SUMMARY

	FY 2005 to FY 2006 JLBC		FY 2005 to FY 2007 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	234,600	2.1%	216,000	1.9%
Total Appropriated Funds	234,600	2.1%	216,000	1.9%
Total - All Sources	234,600	2.1%	216,000	1.9%

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 2005	FY 2006
	Actual	Actual	Estimate	JLBC
• % of gaming facilities reviewed for compact compliance	30	28	100	100
• % of tribes reviewed	--	60	100	--
• % of vendor customers satisfied with process	95	95	96	96
• Administration as a % of cost	NA	5.8	5.8	--

Comments: The agency did not submit information for any measure labeled as "NA." 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. FY 2005 will be the first year that the department will have a full year to complete the compact compliance reviews, therefore, 100% of the compact compliance reviews are anticipated for completion in FY 2005.

RECOMMENDED CHANGES FROM FY 2005

Operating Budget

The JLBC recommends \$8,000,000 from the Arizona Benefits Fund for the operating budget in FY 2006 and FY 2007. These amounts would fund the following adjustments:

Enforcement Division		FY 2006	FY 2007
Staffing	OF	\$374,000	\$548,600

The JLBC recommends 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. In FY 2004, the department employed 82 Enforcement Division FTE Positions to regulate 22 tribal gaming facilities, 11,831 gaming machines and 29 card rooms throughout the state.

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 JLBC recommendation increases the department's enforcement staff in recognition of this additional workload.

Equipment Expenditures	OF	(374,000)	(548,600)
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The JLBC recommends 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. The recommended funding decrease will offset the recommended Enforcement Division staffing increase in order to keep the department's appropriated operating budget within its \$8,000,000 revenue cap. The revenue cap establishes the department's minimum regulatory operating budget by way of the Tribal-State Compacts and

can increase to 9% of the Arizona Benefits Fund (ABF), when 9% of ABF exceeds \$8,000,000.

Special Line Items

Casino Operations Certification

The JLBC recommends \$1,829,100 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 funded by the Arizona Benefits Fund. FY 2004 and FY 2005 monies are displayed in this new SLI for comparability to FY 2006 and FY 2007 figures. These amounts would fund the following adjustments:

Standard Changes	OF	13,300	13,300
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The JLBC recommends an increase of \$13,300 from the Tribal-State Compact Fund in FY 2006 and FY 2007 for standard changes.

Certification Division

Staffing	OF	169,100	169,100
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The JLBC recommends 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 FTE Positions. 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.

SUMMARY OF FUNDS	FY 2004 Actual	FY 2005 Estimate
Arizona Benefits (GMA2350/A.R.S. § 5-601.02)		Appropriated
Source of Revenue: Tribal organizations, which have gaming compacts with the state, pay a portion of their gaming revenues to the state.		
Purpose of Fund: Provide funding for the regulation of tribal gaming and prevention of problem gambling. In addition, the Arizona Benefits Fund distributes monies to various state funds. <i>(See individual agency pages for detailed information on each recipient.)</i>		
Funds Expended by Department of Gaming	5,813,600	9,512,800
Funds Transferred		
Instructional Improvement Fund	16,350,800	37,031,800
Trauma and Emergency Services Fund	8,175,400	18,515,900
Arizona Wildlife Conservation Fund	2,335,800	5,290,300
Tourism Fund	<u>2,335,800</u>	<u>5,290,300</u>
Total Funds Transferred	29,197,800	66,128,300
Year-End Fund Balance	1,626,800	1,626,800
 Lottery Fund (GMA2122/A.R.S. § 5-601)		 Appropriated
Source of Revenue: Funds transferred from the State Lottery Fund.		
Purpose of Fund: Provide additional funding to the department's Problem Gambling program. These funds are expended to prevent and treat individual's suffering from problem gambling.		
Funds Expended	0	300,000
Year-End Fund Balance	0	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 provide funding for the department's certification and administration costs.		
Funds Expended	1,512,700	1,594,500
Year-End Fund Balance	1,646,100	1,597,100

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