Department of Gaming

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	115.3	115.3	155.8 1/
Personal Services	4,282,000	4,633,900	4,633,900
Employee Related Expenditures	1,772,800	1,903,000	1,876,200
Professional and Outside Services	274,600	465,900	465,900
Travel - In State	269,000	250,600	250,600
Travel - Out of State	32,700	40,200	40,200
Other Operating Expenditures	1,139,500	875,500	879,400
Equipment	174,200	149,300	149,300
OPERATING SUBTOTAL	**7,944,800**	**8,318,400**	**8,295,500**
SPECIAL LINE ITEMS			
Additional Operating Expenses	0	800,400	800,400 2/
Casino Operations Certification	1,938,700	2,104,900	2,089,900
County Fairs Livestock and Agricultural Promotion	0	0	1,779,500 3/4/
Division of Racing	0	0	2,894,200 4/
Problem Gambling	1,990,500	2,292,500	2,287,000
AGENCY TOTAL	**11,874,000**	**13,516,200**	**18,146,500** 5/
FUND SOURCES			
General Fund	0	0	1,779,500
Other Appropriated Funds			
Arizona Benefits Fund	9,635,300	11,111,300	11,082,900
Racing Regulation Fund	0	0	2,894,200
State Lottery Fund	300,000	300,000	300,000
Tribal-State Compact Fund	1,938,700	2,104,900	2,089,900
SUBTOTAL - Other Appropriated Funds	11,874,000	13,516,200	16,367,000
SUBTOTAL - Appropriated Funds	**11,874,000**	**13,516,200**	**18,146,500**
Other Non-Appropriated Funds	0	0	90,000
TOTAL - ALL SOURCES	11,874,000	13,516,200	18,236,500

AGENCY DESCRIPTION — The Department of Gaming regulates tribal gaming activities as authorized by the Arizona Tribal-State Gaming Compacts. 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 through casino employee and vendor certification application fees. Beginning in FY 2016, the responsibilities of the Department of Racing are transferred to the Gaming Department. The new duties include oversight of horse and dog racing as well as boxing and mixed martial arts.

1/ Includes 73.5 FTE OF Positions funded from Special Line Items in FY 2016.

2/ The Department of Gaming shall report to the Staff Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting on or before December 1, 2015 on the expected amount and purpose of expenditures from the Additional Operating Expenses line item for FY 2016. The report shall include the projected line item detail. (General Appropriation Act footnote)

3/ The amount appropriated to the County Fairs Livestock and Agricultural Promotion line item is for deposit in the County Fairs Livestock and Agricultural Promotion Fund established by A.R.S. § 5-113, and administered by the Office of the Governor. (General Appropriation Act footnote)

4/ General Appropriation Act funds for the Department of Racing were appropriated as an Operating Lump Sum with Special Line Items by Agency but are displayed here as a Special Line Item as a result of being consolidated into the Department of Gaming by Laws 2015, Chapter 19.

5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency. General Appropriation Act funds appropriated to the Department of Racing and consolidated into this agency's budget by Laws 2015, Chapter 19 are displayed as a Special Line Item.

The FY 2016 Agency Consolidation Budget Reconciliation Bill (BRB) (Laws 2015, Chapter 19) merges the Department of Racing into the Department of Gaming, effective July 3, 2015. While the FY 2016 General Appropriation Act appropriated a separate budget for the Department of Gaming, Chapter 19 states that all appropriated monies of the Department of Racing are transferred to the Department of Gaming. Chapter 19, however, does not specify the format of the appropriation. As a result, the *FY 2016 Appropriations Report* reflects the funding for the Department of Racing in the Department of Gaming, displayed as its own line items.

Administrative Expense

The budget includes $9,095,900 in FY 2016 for administration expenses, which consists of $8,295,500 for operating budget expenditures and $800,400 for additional operating budget expenditures.

The department's actual spending level will be determined by the level of gaming revenues. Pursuant to the Gaming ballot initiative (A.R.S. § 5-601.02) and the Tribal-State Gaming Compacts, the department's administration expenses from the Arizona Benefits Fund, excluding Problem Gambling, are limited to the greater of $8,000,000 or 9% of state tribal gaming revenues.

In FY 2016, 9% of tribal gaming revenues are forecasted to be $7,961,700. As a result, the minimum operating budget will be $8,000,000. In that circumstance, the department would not be able to expend its appropriation of $9,095,900 for administrative expenses from the Arizona Benefits Fund. If gaming revenues are higher than the forecast, the department would be able to expend more of the FY 2016 amount up to $9,095,900.

Problem Gambling

The budget includes $2,287,000 for Problem Gambling, which consists of $1,987,000 from the Arizona Benefits Fund and $300,000 from the State Lottery Fund. The department's actual spending level for Problem Gambling from the Arizona Benefits Fund will be determined by the level of gaming revenues. Pursuant to the Gaming ballot initiative and the Tribal-State Gaming Compacts, the department's Problem Gambling expenses from the Arizona Benefits Fund are limited to 2% of revenues.

In FY 2016, 2% of tribal gaming revenues are projected to be $1,769,400. In that circumstance, the department would not be able to expend its appropriation of $1,987,000 for Problem Gambling from the Arizona Benefits Fund. If gaming revenues are higher than the forecast, the department would be able to expend more of the FY 2016 amount up to $1,987,000.

Gaming Revenues

From FY 2013 to FY 2014 state gaming revenues grew 0.6% to $86,728,500. Gaming revenues are expected to have flat growth from FY 2014 to FY 2015 maintaining a level of $86,728,500. From FY 2015 to FY 2016, revenues are forecasted to grow by 2% to $88,463,100. *(See Table 1 for more information on projected state revenues and department allocations.)*

Operating Budget

The budget includes $8,295,500 and 82.3 FTE Positions from the Arizona Benefits Fund in FY 2016 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of $(22,900) from the Arizona Benefits Fund in FY 2016 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Additional Operating Expenses

The budget includes $800,400 from the Arizona Benefits Fund in FY 2016 for additional operating expenses. The department would be required to report on any new administrative spending. This amount is unchanged from FY 2015.

Monies in this line item are used to align spending with the 9% of projected tribal contributions. The agency may use this additional appropriation for administrative cost of regulating gaming. In FY 2016, these resources will be allocated to the appropriate operating budget line items. *(See footnote on additional operating expenses reporting.)*

Casino Operations Certification

The budget includes $2,089,900 and 28 FTE Positions from the Tribal-State Compact Fund in FY 2016 for Casino Operations Certification. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of $(15,000) from the Tribal-State Compact Fund in FY 2016 for statewide adjustments.

The department has the responsibility for investigating and certifying all vendors that provide over $10,000 per 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. Certification application fees provide funding for the Casino Operations Certification Special Line Item.

County Fairs Livestock and Agricultural Promotion

The budget includes $1,779,500 from the General Fund in FY 2016 for County Fairs Livestock and Agricultural Promotion. This amount funds the following adjustments:

Merge the Department of Racing into the Department of Gaming

The budget includes an increase of $1,779,500 from the General Fund in FY 2016 for County Fairs Livestock and Agricultural Promotion. The FY 2016 Consolidation BRB transfers this line item from the Department of Racing to the Department of Gaming. *(Please see Division of Racing for more information.)*

Monies in this line item are deposited in the County Fairs Livestock and Agriculture Promotion Fund in the Office of the Governor. The fund is used to promote Arizona's livestock and agricultural resources and conduct an annual Livestock Fair at the Coliseum and Exposition Center.

Division of Racing

The budget includes $2,894,200 and 40.5 FTE Positions from the Racing Regulation Fund in FY 2016 to merge the Department of Racing into the Department of Gaming. These amounts fund the following adjustments:

Merge the Department of Racing into the Department of Gaming

The budget includes an increase of $2,894,200 and 40.5 FTE Positions from the Racing Regulation Fund in FY 2016 for operating costs previously included in the budget for the Department of Racing. The FY 2016 Agency Consolidation BRB merges the Department of Racing into the Department of Gaming, establishing a Division of Racing effective July 3, 2015.

The Agency Consolidation BRB also transfers the Department of Racing's boxing and mixed martial arts regulation to the Department of Gaming. All personnel under the state personnel system who are employed by the Department of Racing are transferred to comparable positions and pay classifications within the Division of Racing on the effective date.

Problem Gambling

The budget includes $2,287,000 and 5 FTE Positions in FY 2016 for Problem Gambling. These amounts consist of:

	FY 2016
Arizona Benefits Fund	$1,987,000
State Lottery Fund	300,000

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of $(5,500) from the Arizona Benefits Fund in FY 2016 for statewide adjustments.

Pursuant to A.R.S. § 5-601.02 and the Tribal-State Gaming Compacts, 2% of tribal revenues received by the state shall be appropriated from the Arizona Benefits Fund to the department to provide problem gambling prevention, treatment, and education programs. The budget includes $1,987,000 for FY 2016 from the Arizona Benefits Fund. *(See Table 1 for more information on projected state revenues.)*

Table 1

Tribal Gaming Distributions Pursuant to Proposition 202 [1/]

Recipient	Proposition 202 Formula	FY 2013 Actual [1/]	FY 2014 Actual [1/]	FY 2015 Projected	FY 2016 Projected
State Government Distribution	88% of total	$ 86,170,100	$ 86,728,500	$ 86,728,500 [2/]	$ 88,463,100 [2/]
Local Government Distribution [3/]	12% of total	11,750,500	11,826,600	11,826,600	12,063,200
Total	**100% of total**	**$ 97,920,600**	**$ 98,555,100**	**$ 98,555,100**	**$ 100,526,300**
Allocation of State Government's Share					
Department of Gaming Regulation	$8 million, or 9%, whichever is greater	$ 8,000,000	$ 8,000,000	$ 8,000,000 [4/]	$ 8,000,000 [4/]
Department of Gaming Problem Gambling	2%	1,723,400	1,734,600	1,734,600 [5/]	1,769,400 [5/]
Subtotal-Department of Gaming		$ 9,723,400	$ 9,734,600	$ 9,734,600	$ 9,769,400
Instructional Improvement Fund (Department of Education)	56% of remainder	42,810,200	43,116,600	43,116,600	44,068,500
Trauma and Emergency Services Fund (Arizona Health Care Cost Containment System)	28% of remainder	21,405,100	21,558,300	21,558,300	22,034,200
Arizona Wildlife Conservation Fund	8% of remainder	6,115,700	6,159,500	6,159,500	6,295,500
Tourism Fund	8% of remainder	6,115,700	6,159,500	6,159,500	6,295,500
Total		**$ 86,170,100**	**$ 86,728,500**	**$ 86,728,500**	**$ 88,463,100**

1/ The numbers displayed herein represent monies distributed to agencies and may not correspond directly with agencies' actual expenditures or appropriation amounts.

2/ The budget projects flat growth in FY 2015 for tribal contributions to the Arizona Benefits Fund and 2.0% growth in FY 2016.

3/ Local distributions may not proportionally match state distributions due to timing issues associated with different fiscal years.

4/ While the FY 2015 appropriation and FY 2016 appropriation include $9,118,800, A.R.S. § 5-601.02H3 requires 9% of state gaming revenues or $8,000,000, whichever is greater, to be used for the department's operating budget. This provision is expected to allow the department to expend $8,000,000 for FY 2015 and FY 2016 since 9% of projected FY 2015 and 2016 revenues are less than $8,000,000.

5/ While the FY 2015 appropriation and FY 2016 appropriation include $1,992,500, A.R.S. § 5-601.02H3 requires 2% of state gaming revenues to be used for problem gambling prevention. This provision is expected to allow the department to only expend $1,734,600 for problem gambling expenditures in FY 2015 and $1,769,400 in FY 2016.