

## Department of Gaming

	FY 2015 ACTUAL	FY 2016 ESTIMATE	FY 2017 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	115.3	155.8	155.8
Personal Services	4,273,100	4,326,000	4,326,000
Employee Related Expenditures	1,742,200	1,876,200	1,876,200
Professional and Outside Services	394,600	465,900	465,900
Travel - In State	247,000	250,600	250,600
Travel - Out of State	38,700	40,200	40,200
Other Operating Expenditures	1,024,700	987,800	987,800
Equipment	280,000	348,800	348,800
<b>OPERATING SUBTOTAL</b>	<b>8,000,300</b>	<b>8,295,500</b>	<b>8,295,500</b>
<b>SPECIAL LINE ITEMS</b>			
Additional Operating Expenses	0	800,400	800,400
Casino Operations Certification	1,726,400	2,089,900	2,089,900
County Fairs Livestock and Agricultural Promotion	0	1,779,500	1,779,500
Division of Racing	0	2,894,200	2,894,200
Problem Gambling	1,747,700	2,287,000	2,287,000
<b>AGENCY TOTAL</b>	<b>11,474,400</b>	<b>18,146,500</b>	<b>18,146,500</b>
<b>FUND SOURCES</b>			
General Fund	0	1,779,500	1,779,500
<u>Other Appropriated Funds</u>			
Arizona Benefits Fund	9,448,000	11,082,900	11,082,900
Racing Regulation Fund	0	2,894,200	2,894,200
State Lottery Fund	300,000	300,000	300,000
Tribal-State Compact Fund	1,726,400	2,089,900	2,089,900
SUBTOTAL - Other Appropriated Funds	11,474,400	16,367,000	16,367,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>11,474,400</b>	<b>18,146,500</b>	<b>18,146,500</b>
Other Non-Appropriated Funds	0	1,370,000	1,370,000
<b>TOTAL - ALL SOURCES</b>	<b>11,474,400</b>	<b>19,516,500</b>	<b>19,516,500</b>

**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 Department of Gaming.

The FY 2016 Agency Consolidation Budget Reconciliation Bill (BRB) (Laws 2015, Chapter 19) merged 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 Racing, Chapter 19 transferred all appropriated monies of the Department of Racing to the Department of Gaming. The FY 2015 actuals for the Department of Racing expenditures are shown in the Department of Racing budget.

### **Administrative Expenses**

The FY 2017 Baseline continues the \$9,095,900 FY 2016 appropriated spending level 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 2017, 9% of tribal gaming revenues are forecasted to be \$8,382,400. The Baseline includes \$8,382,400 in FY 2017, as 9% of projected revenue is greater than \$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 2017 amount up to \$9,095,900.

#### **Problem Gambling**

The Baseline 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 2017, 2% of tribal gaming revenues are projected to be \$1,862,800. 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 2017 amount up to \$1,987,000.

#### **Gaming Revenues**

From FY 2014 to FY 2015, state gaming revenues grew 2.0% to \$88,424,800. Gaming revenues are expected to grow by 3.26% from FY 2015 to FY 2016 to a level of \$91,311,200. From FY 2016 to FY 2017, revenues are forecasted to grow by 2.0% to \$93,137,400. (See Table 1 for more information on projected state revenues and department allocations.)

#### **Operating Budget**

The Baseline includes \$8,295,500 and 82.3 FTE Positions from the Arizona Benefits Fund in FY 2017 for the operating budget. These amounts are unchanged from FY 2016.

#### **Additional Operating Expenses**

The Baseline includes \$800,400 from the Arizona Benefits Fund in FY 2017 for additional operating expenses. The department would be required to report on any new administrative spending. This amount is unchanged from FY 2016.

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 2017, these resources will be allocated to the appropriate operating budget line items. (See footnote on additional operating expenses reporting.)

#### **Casino Operations Certification**

The Baseline includes \$2,089,900 and 28 FTE Positions from the Tribal-State Compact Fund in FY 2017 for Casino Operations Certification. These amounts are unchanged from FY 2016.

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 Baseline includes \$1,779,500 from the General Fund in FY 2017 for County Fairs Livestock and Agricultural Promotion. This amount is unchanged from FY 2016.

The FY 2016 Agency Consolidation BRB transferred 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 Baseline includes \$2,894,200 and 40.5 FTE Positions from the Racing Regulation Fund in FY 2017 for operating costs previously included in the budget for the Department of Racing. These amounts are unchanged from FY 2016.

The Division of Racing regulates the pari-mutuel horse and greyhound racing industries through the supervision of race meetings, screening of license applicants, collection of taxes and fees, and assessment of fines or other penalties. The Division of Racing also oversees the Arizona Boxing and Mixed Martial Arts Commission.

The commission is responsible for licensing, investigating, and regulating professional boxing, Toughman, and nontraditional fighting contests within Arizona.

**Problem Gambling**

The Baseline includes \$2,287,000 and 5 FTE Positions in FY 2017 for Problem Gambling. These amounts consist of:

	<u>FY 2017</u>
Arizona Benefits Fund	\$1,987,000
State Lottery Fund	300,000

These amounts are unchanged from FY 2016.

\* \* \*

**FORMAT** — Operating Lump Sum with Special Line Items by Agency

**FOOTNOTES**

*Standard Footnotes*

The Department of Gaming shall report to the Directors of the Joint Legislative Budget Committee and the Governor’s Office of Strategic Planning and Budgeting on or before December 1, 2016 on the expected amount and purpose of expenditures from the Additional Operating Expenses line item for FY 2017. The report shall include the projected line item detail.

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 to be administered by the Office of the Governor.

<b>Tribal Gaming Distributions Pursuant to Proposition 202 <sup>1/</sup></b>					
<b>Recipient</b>	<b>Proposition 202 Formula</b>	<b>FY 2014 Actual <sup>1/</sup></b>	<b>FY 2015 Actual <sup>1/</sup></b>	<b>FY 2016 Projected</b>	<b>FY 2017 Projected</b>
State Government Distribution	88% of total	\$ 86,728,500	\$ 88,424,800	\$ 91,311,200 <sup>2/</sup>	\$ 93,137,400 <sup>2/</sup>
Local Government Distribution <sup>3/</sup>	12% of total	<u>11,826,600</u>	<u>12,057,900</u>	<u>12,451,500</u>	<u>12,700,600</u>
<b>Total</b>	<b>100% of total</b>	<b>\$ 98,555,100</b>	<b>\$100,482,700</b>	<b>\$ 103,762,700</b>	<b>\$ 105,838,000</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	\$ 8,218,000 <sup>4/</sup>	\$ 8,382,400 <sup>4/</sup>
Department of Gaming Problem Gambling	2%	<u>1,734,600</u>	<u>1,768,500</u>	<u>1,826,200 <sup>5/</sup></u>	<u>1,862,800 <sup>5/</sup></u>
Subtotal-Department of Gaming		\$ 9,734,600	\$ 9,768,500	\$ 10,044,200	\$ 10,245,200
Instructional Improvement Fund (Department of Education)	56% of remainder	43,116,600	44,047,600	45,509,400	46,419,600
Trauma and Emergency Services Fund (Arizona Health Care Cost Containment System)	28% of remainder	21,558,300	22,023,800	22,754,800	23,209,800
Arizona Wildlife Conservation Fund	8% of remainder	6,159,500	6,292,500	6,501,400	6,631,400
Tourism Fund	8% of remainder	<u>6,159,500</u>	<u>6,292,500</u>	<u>6,501,400</u>	<u>6,631,400</u>
<b>Total</b>		<b>\$ 86,728,500</b>	<b>\$ 88,424,900</b>	<b>\$ 91,311,200</b>	<b>\$ 93,137,400</b>

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

<sup>2/</sup> The Baseline projects 3.26% growth in FY 2016 for tribal contributions to the Arizona Benefits Fund and 2.0% growth in FY 2017.

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

<sup>4/</sup> While the FY 2016 appropriation and FY 2017 Baseline include \$9,095,900, 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 \$8,218,000 for operating expenditures in FY 2016 and \$8,382,400 in FY 2017, as 9% of projected revenue is greater than \$8,000,000.

<sup>5/</sup> While the FY 2016 appropriation and FY 2017 Baseline include \$1,987,000, 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 \$1,826,200 for problem gambling expenditures in FY 2016 and \$1,826,800 in FY 2017.

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate
<b>Arizona Benefits Fund (GMA2350/A.R.S. § 5-601.02)</b>		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> Tribal organizations, which have gaming compacts with the state, pay a portion of their gaming revenues to the state.		
<b>Purpose of Fund:</b> 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>		
<b>Appropriated Funds Expended by Department of Gaming</b>	9,448,000	11,082,900
<b>Funds Transferred</b>		
Instructional Improvement Fund	44,047,600	45,509,400
Trauma and Emergency Services Fund	22,023,800	22,754,800
Arizona Wildlife Conservation Fund	6,292,500	6,501,400
Tourism Fund	<u>6,292,500</u>	<u>6,501,400</u>
<b>Total Funds Transferred</b>	78,656,400	81,267,000
<b>Year-End Fund Balance</b>	1,617,800	804,800
<b>Arizona Breeders' Award Fund (GMA2206/A.R.S. § 5-113)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> General Fund appropriations. Expenditures are not displayed to avoid double counting the General Fund.		
<b>Purpose of Fund:</b> To award the breeder of every winning horse, greyhound foaled or whelped, statewide.		
<b>Funds Expended</b>	0	17,500
<b>Year-End Fund Balance</b>	0	15,400
<b>DPS-FBI Fingerprint Fund (GMA2159/A.R.S. § 41-1750)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Revenues include fees collected from fingerprint clearance cards.		
<b>Purpose of Fund:</b> Revenues are transferred to the Department of Public Safety to process fingerprint clearance cards. Fund is basically a "pass through" for fingerprinting fees payable to DPS.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	2,000
<b>Greyhound and Retired Racehorse Adoption Fund (GMA2015/A.R.S. § 5-113)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> License fees collected from dog breeders, racing kennels, and other operations where greyhounds are raised for dog racing. Additional monies are collected by the horse adoption surcharge that receives 5% of all horse racing related fines.		
<b>Purpose of Fund:</b> To provide funding for grants to non-profit organizations for the promotion and adoption of retired racing greyhounds and horses.		
<b>Funds Expended</b>	0	3,100
<b>Year-End Fund Balance</b>	0	900
<b>IGA and ISA Fund (GMA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Various intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> Clearing account for monies expended under Intergovernmental Agreements (IGA) and Intergovernmental Service Agreements (ISA).		
<b>Funds Expended</b>	0	1,320,000
<b>Year-End Fund Balance</b>	0	0
<b>State Lottery Fund (GMA2122/A.R.S. § 5-571)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Funds transferred from the State Lottery Fund.		
<b>Purpose of Fund:</b> Provide additional funding to the department's Problem Gambling program. These funds are expended to prevent, educate, and treat individuals suffering from problem gambling.		
<b>Funds Expended</b>	300,000	300,000
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate
<b>Racing Administration Fund (GMA2018/A.R.S. § 5-113)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> General Fund appropriations. Expenditures are not displayed to avoid double counting the General Fund.		
<b>Purpose of Fund:</b> To administer the Arizona County Fairs Racing Betterment Fund, the Arizona Breeders' Award Fund, the Arizona Stallion Award Fund, and the Greyhound Adoption Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	23,700
<b>Racing Commission Bond Deposit Fund (GMA3720/A.R.S. § 5-107)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund holds bonds posted by commercial racing permit holders until the permittee withdraws their permit. The Division of Racing also deposits all racing and boxing applicant or licensee payments submitted in excess of the amount due into this fund.		
<b>Purpose of Fund:</b> To hold bonds posted by commercial racing permit holders until the permittee withdraws their permit. The Division of Racing requires racing permittees to post a bond with the Division of Racing each year, which is refunded when the permittee withdraws their permit. Forfeited bonds are deposited into the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	55,600
<b>Racing Investigation Fund (GMA2369/A.R.S. § 41-705)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies collected from persons, partnerships, associations or corporations that hold a permit for a racing meeting under Title 5.		
<b>Purpose of Fund:</b> To cover the cost of racing investigations by the Arizona Department of Racing. The fund is administered by the Department of Administration and disbursements are made pursuant to instructions from the Director of the Department of Racing.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	63,700
<b>Racing Regulation Fund (GMA2556/A.R.S. § 5-113.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> License fees and regulatory assessments established by the Arizona Department of Racing and the Boxing Commission, pari-mutuel taxes from wagering at horse and dog racing facilities and donations or grants received by the department.		
<b>Purpose of Fund:</b> To support the mission of the department.		
<b>Funds Expended</b>	0	2,894,200
<b>Year-End Fund Balance</b>	0	1,049,400
<b>Racing Regulation Fund - Mixed Martial Arts Account (GMA2393/A.R.S. § 5-225)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees established by the Boxing Commission for unarmed combat events.		
<b>Purpose of Fund:</b> To pay for the administration and regulation of unarmed combat.		
<b>Funds Expended</b>	0	29,400
<b>Year-End Fund Balance</b>	0	51,900
<b>Tribal-State Compact Fund (GMA2340/A.R.S. § 5-601)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The fund receives monies from gaming vendors and gaming employees to pay for their certification.		
<b>Purpose of Fund:</b> Pay for the actual cost of performing background investigations on gaming employees and vendors to determine suitability for state certification.		
<b>Funds Expended</b>	1,726,400	2,089,900
<b>Year-End Fund Balance</b>	1,497,900	1,497,900