

ARIZONA STATE HOUSE OF REPRESENTATIVES  
RESEARCH STAFF



**Paul Benny**

Legislative Research Analyst  
Commerce Committee  
Telephone: (602) 926-3848

TO: JOINT LEGISLATIVE AUDIT COMMITTEE

DATE: February 25, 2026

SUBJECT: Sunset Review of the Arizona Department of Gaming, Arizona Racing Commission and Arizona State Boxing & Mixed Martial Arts Commission

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Attached is the final report of the sunset reviews of the Arizona Department of Gaming, Arizona Racing Commission and Arizona State Boxing & Mixed Martial Arts Commission, which were conducted by the House Commerce Committee of Reference.

This report has been distributed to the following individuals and agencies:

Governor of the State of Arizona  
The Honorable Katie Hobbs

Speaker of the House of Representative  
Representative Steve Montenegro

President of the Senate  
Senator Warren Petersen

House Members

Representative Jeff Weninger, Chair  
Representative Cesar Aguilar  
Representative Walter "Walt" Blackman  
Representative Neal Carter  
Representative Junelle Cavero  
Representative Janeen Connolly  
Representative Lupe Diaz  
Representative Laurin Hendrix  
Representative Betty Villegas  
Representative Justin Wilmeth  
Representative Michael Way

Arizona Department of Gaming  
Office of the Auditor General  
Arizona State Library, Archives & Public Records

Office of the Chief Clerk  
House Republican Staff  
House Democratic Staff  
House Research Staff

Senate Resource Center  
Senate Republican Staff  
Senate Democratic Staff  
Senate Research Staff

House of Representatives  
Commerce Committee of Reference  
Sunset Review of the  
Arizona Department of Gaming  
Arizona Racing Commission  
Arizona State Boxing & Mixed Martial Arts Commission



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# Final Report

## January 2026

### House Members

Representative Jeff Weninger, Chair  
Representative Cesar Aguilar  
Representative Walter "Walt" Blackman  
Representative Neal Carter  
Representative Junelle Cavero  
Representative Janeen Connolly  
Representative Lupe Diaz  
Representative Laurin Hendrix  
Representative Betty Villegas  
Representative Justin Wilmeth  
Representative Michael Way

## **TABLE OF CONTENTS**

- I. Report
  - a. Background
  - b. Summary of Committee Activity
  - c. Committee Recommendations
  
- II. Appendix
  - a. Minutes and reference materials from the January 13, 2026,  
House Commerce Committee of Reference

# **COR Report 2026**

## ***Background***

Pursuant to [A.R.S. § 41-2953](#), the Joint Legislative Audit Committee assigned the sunset reviews of the Arizona Department of Gaming (ADG), the Arizona Racing Commission and the Arizona State Boxing & Mixed Martial Arts Commission to the Senate Regulatory Affairs & Government Efficiency Committee of Reference and the House Commerce Committee of Reference.

### *Arizona Department of Gaming*

Established in 1995, the ADG regulates and monitors tribal gaming activities in accordance with Arizona tribal-state gaming compacts as required by federal law and authorized by statute. Federal law allows Class III gaming activities to be conducted on tribal lands provided such activities are conducted in conformance with a Tribal-State compact entered into by the Indian tribe and the State ([25 U.S.C. 2710 \(d\)](#)). In 2015, the Legislature consolidated the Arizona Department of Racing into the ADG as the Division of Racing and transferred the Boxing & Mixed Martial Arts (Boxing & MMA) Division from the previous Department of Racing to the ADG ([Laws 2015, Chapter 19](#)).

The ADG's statutory responsibilities include: 1) licensing and regulation of event wagering and fantasy sports contests; 2) supporting programs to reduce problem gambling; 3) overseeing live horse racing, harness racing, pari-mutuel and simulcast wagering; and 4) providing staff support for the Racing Commission and Boxing & MMA Commission ([A.R.S., Title 5, Chapters 1, 2, 10 and 11](#)).

The ADG is statutorily set to terminate on July 1, 2026, unless legislation is enacted for its continuation ([A.R.S. § 41-3026.04](#))

### *Arizona Racing Commission*

The Arizona Racing Commission regulates and supervises all racing meetings held and pari-mutuel wagering conducted in Arizona. The Racing Commission is statutorily required to: 1) issue racing dates; 2) prepare and adopt rules governing racing and pari-mutuel wagering; 3) conduct hearings on permit applications and rehearings on licensing and regulatory decisions; and 4) conduct all review of applications to construct capital improvements at racetracks ([A.R.S. § 5-104](#)).

The Racing Commission consists of five Governor-appointed members, including two members who have a financial interest or substantial experience

in the horse or harness racing industry. Commission members serve 5-year terms (A.R.S. §§ [5-102](#), [5-103](#)).

The Racing Commission is statutorily set to terminate on July 1, 2026, unless legislation is enacted for its continuation ([A.R.S. § 41-3026.13](#)).

#### *Arizona State Boxing & Mixed Martial Arts Commission*

The Boxing & MMA Commission is responsible for regulating and supervising all boxing, kickboxing, tough man, and mixed martial arts events in Arizona, including issuing licenses to referees, judges, matchmakers, promoters, trainers, ring announcers, timekeepers, ringside physicians, inspectors, mixed martial arts combatants, boxers, managers and seconds (A.R.S. §§ [5-225](#), [5-228](#)).

The Boxing & MMA Commission consists of three Governor-appointed members who serve 3-year terms (A.R.S. § [5-223](#)).

The State Boxing & Mixed Martial Arts Commission is statutorily set to terminate on July 1, 2026, unless legislation is enacted for its continuation ([A.R.S. § 41-3026.22](#)).

#### ***Summary of Committee Activity***

Pursuant to [A.R.S. § 41-2954](#), the House Commerce Committee of Reference met on Tuesday, January 13, 2026, to review the Auditor General's Performance Audit and Sunset Review Report ([25-106](#)) of the ADG, Racing Commission and State Boxing & MMA Commission, consider the ADG's responses to the statutorily-outlined sunset factors and receive public testimony.

#### ***Committee Recommendations***

The House Commerce Committee of Reference recommended that the ADG implement the recommendations to the findings of the Auditor General's 2025 Performance Audit and Sunset Review Report and be continued for two years until July 1, 2028.

The House Commerce Committee of Reference recommended that the Arizona Racing Commission and the Arizona Boxing and Mixed Martial Arts Commission implement the recommendations to the findings of the Auditor General's 2025 Performance Audit and Sunset Review Report and be continued for six years until July 1, 2032.

Appendix A:

January 13, 2026, House Commerce Committee of Reference  
Minutes and Reference Materials

ARIZONA HOUSE OF REPRESENTATIVES  
Fifty-seventh Legislature - Second Regular Session

**COMMITTEE ON COMMERCE**

Report of Regular Meeting  
Tuesday, January 13, 2026  
House Hearing Room 5 -- 2:00 P.M.

RECEIVED  
CHIEF CLERKS OFFICE

JAN 20 2026

**Convened** 2:01 P.M.

**Adjourned** 4:22 P.M.

**Members Present**

Representative Aguilar  
Representative Blackman  
Representative Carter  
Representative Cavero  
Representative Connolly  
Representative Diaz  
Representative Hendrix  
Representative Villegas  
Representative Wilmeth  
Representative Way, Vice-Chairman  
Representative Weninger, Chairman

**Members Absent**

**Agenda**

Original Agenda – Attachment 1

**Request to Speak**

Report – Attachment 2

**Committee Attendance**

Report – Attachment 3

**Presentations**

<b><u>Name</u></b>	<b><u>Organization</u></b>	<b><u>Attachments</u></b> (Handouts)
Liam VanPelt	Arizona Office of the Auditor General Sunset Review-Arizona Department of Gaming	4
	Arizona Office of the Auditor General Sunset Review-Arizona Racing Commission	4
	Arizona Office of the Auditor General Sunset Review-Arizona State Boxing and Mixed Martial Arts Commission	4
Jackie Johnson, Director	Arizona Department of Gaming	5

Katie Grzybowski	Arizona Office of the Auditor General Sunset Review-Arizona Board of Barbering and Cosmetology	9
Frank Migali, Director	Arizona Barbering & Cosmetology Board	10
Katie Grzybowski	Arizona Office of the Auditor General Performance Audit – Arizona Sports and Tourism Authority	12
Tom Sadler, President	Arizona Sports and Tourism Authority	13

**Committee Action**

	<b><u>Action</u></b>	<b><u>Vote</u></b>	<b><u>Attachments</u></b>
Recommendation	Arizona Department of Gaming Continuation for 2 years	7-4-0-0	6
Recommendation	Arizona Racing Commission Continuation for 6 years	10-1-0-0	7
Recommendation	Arizona Boxing and MMA Commission Continuation for 6 years	11-0-0-0	8
Recommendation	Arizona Board of Barbers and Cosmetology Continuation for 6 years	10-0-0-1	11

  
 Abby Selvey, Committee Secretary  
 January 16, 2026

(Original attachments on file in the Office of the Chief Clerk; video archives available at <http://www.azleg.gov>)

Conv: 2:01 p.m  
Adjourn: 4:22 p.m

REVISED #2 - 1/12/26

REVISED #2 - 1/12/26

REVISED #2 - 1/12/26

ARIZONA HOUSE OF REPRESENTATIVES  
Fifty-seventh Legislature - Second Regular Session

REGULAR MEETING AGENDA

**COMMITTEE ON COMMERCE**

DATE Tuesday, January 13, 2026

ROOM HHR 5

TIME 2:00 P.M.

Members of the public may access a livestream of the meeting here:

<https://www.azleg.gov/videooplayer/?clientID=6361162879&eventID=2026011006>

Members:

Representative Aguilar	Representative Connolly	Representative Wilmeth
Representative Blackman	Representative Diaz	Representative Way, Vice-Chairman
Representative Carter, N.	Representative Hendrix	Representative Weninger, Chairman
Representative Cavero	Representative Villegas	

**Acting as the House Commerce Committee of Reference**

1. Sunset Review of the Arizona Department of Gaming
  - Presentation by the Office of the Auditor General
  - Response by the Department of Gaming
  - Public Testimony
  - Discussion and Recommendation - 2 year cont. 7-4-0-0
2. Sunset Review of the Arizona Racing Commission
  - Presentation by the Office of the Auditor General
  - Response by the Arizona Racing Commission
  - Public Testimony
  - Discussion and Recommendation - 6 year cont 10-1-0-0
3. Sunset Review of the Arizona State Boxing and Mixed Martial Arts Commission
  - Presentation by the Office of the Auditor General
  - Response by the Arizona State Boxing and Mixed Martial Arts Commission
  - Public Testimony
  - Discussion and Recommendation - 6 year cont. 11-0-0-0
4. Sunset Review of the Arizona Board of Barbering and Cosmetology
  - Presentation by the Office of the Auditor General
  - Response by the Arizona Board of Barbering and Cosmetology
  - Public Testimony
  - Discussion and Recommendation - 6 year cont. 10-0-0-1
5. Review of the Office of the Auditor General's Performance Audit of the Arizona Sports and Tourism Authority
  - Presentation by the Office of the Auditor General
  - Response by the Arizona Sports and Tourism Authority
  - Public Testimony
  - Discussion - No Motion

VC  
01/07/2026  
01/12/2026

People with disabilities may request reasonable accommodations such as interpreters, alternative formats, or assistance with physical accessibility. If you require accommodations, please contact the Chief Clerk's Office at (602) 926-3032 or through Arizona Relay Service 7-1-1.

# Information Registered on the Request to Speak System

*House Commerce (1/13/2026)*

**1, Sunset Review of the Arizona Department of Gaming**

**2, Sunset Review of the Arizona Racing Commission**

**3, Sunset Review of the Arizona State Boxing and Mixed Martial Arts Commission**

**4, Sunset Review of the Arizona Board of Barbering and Cosmetology**

**5, Review of the Office of the Auditor General's Performance Audit of the Arizona Sports and Tourism Authority**

**ARIZONA STATE LEGISLATURE**  
 Fifty-seventh Legislature - Second Regular Session  
**COMMITTEE ATTENDANCE RECORD**

COMMITTEE ON \_\_\_\_\_ **COMMERCE** \_\_\_\_\_

CHAIRMAN: Jeff Weninger VICE-CHAIRMAN: Michael Way

DATE	01/13/26	
CONVENED	2:01 p.m.	
RECESSED		
RECONVENED		
ADJOURNED	4:22 pm	
MEMBERS	PRESENT	NOT PRESENT
Aguilar	✓	
Blackman	✓	
Carter N	✓	
Cavero	✓	
Connolly	✓	
Diaz	✓	
Hendrix	✓	
Villegas	✓	
Wilmeth	✓	
Way, Vice-Chairman	✓	
Weninger, Chairman	✓	
TOTAL 11	11	-



# Arizona Department of Gaming, Racing Commission, and Boxing and MMA Commission

## Performance Audit and Sunset Review

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January 13, 2026

Liam VanPelt



# PRESENTATION OVERVIEW

- ▶ Key context
- ▶ Positive performance
- ▶ Problems identified
- ▶ Why the problems matter
- ▶ What led to the problems
- ▶ Key recommendations
- ▶ Additional information and issues

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# KEY CONTEXT

## Department history and purpose

- ▶ Department of Gaming established in 1995 to fulfill Tribal-State Gaming Compact responsibilities
- ▶ Jackie Johnson serves as director
- ▶ Auditor General conducted Department's last sunset review in 2018

# KEY CONTEXT

## Department's key responsibilities

- ▶ Regulating tribal gaming, event wagering and fantasy sports contests, and horse racing
- ▶ Supporting education, prevention, and treatment efforts aimed at reducing problem gambling
- ▶ Providing staff support to the Racing Commission and the Boxing and MMA Commission

# KEY CONTEXT

## Racing Commission history and responsibilities

- ▶ Racing Commission established in 1949 to regulate and supervise horse racing and wagering in the State
- ▶ Racing Commission consists of 5 Governor-appointed members
- ▶ Racing Commission responsible for approving racetrack permits
- ▶ Auditor General last reviewed Racing Commission in 2007 and it conducted a self-review in 2024

# KEY CONTEXT

## **Boxing and MMA Commission history and responsibilities**

- ▶ Boxing/MMA Commission established in 1958 and is responsible for regulating and supervising all boxing, kickboxing, tough man, and mixed martial arts events in Arizona
- ▶ Boxing/MMA Commission consists of 3 Governor-appointed members
- ▶ Boxing/MMA Commission responsibilities including issuing licenses to event promoters and participants
- ▶ Auditor General last reviewed Boxing/MMA Commission in 2000 and it conducted a self-review in 2017

# POSITIVE PERFORMANCE

## Department met requirements for some responsibilities

- ▶ Distributed more than \$158 million in tribal contributions to various State programs and funds in FY 2024, in accordance with statute
- ▶ Issued event wagering operator licenses to qualified applicants

# POSITIVE PERFORMANCE

## **Racing Commission met requirements for key statutory responsibility**

- ▶ Commission conducted hearings related to and approved application for renewal of commercial racetrack permit
- ▶ First hearing on permit application in July 2024
  - ▶ Not granted due to necessary racetrack repairs and financial review
- ▶ Approved application in August 2025

# PROBLEMS IDENTIFIED

1

Department did not consistently obtain and review operators' independent audit reports

2

Department and Commissions did not comply with some conflict-of-interest requirements

3

Department and Boxing/MMA Commission lacked complaint handling processes

# KEY CONTEXT

## **Licensed event wagering and fantasy sports operators statutorily required to pay privilege fees**

- ▶ Event wagering and fantasy sports contest operators must pay monthly fees to the Department for privilege of operating event wagering or fantasy sports contests in the State
- ▶ Most privilege fee revenues are remitted to State General Fund
- ▶ Privilege fees for event wagering and fantasy sports operators based on adjusted receipts or revenues

## PROBLEM IDENTIFIED

**Department did not consistently obtain and review independent audit reports to ensure accuracy of reported revenues and associated privilege fees**

- ▶ Department policy requires staff to review operators' independent audit reports to verify revenues and associated fee amounts due
- ▶ In 2023, Department did not review audit reports for:
  - ▶ 15 of 17 licensed event wagering operators
  - ▶ All 10 licensed fantasy sports contest operators

# WHY THE PROBLEM MATTERS

**Risks of not reviewing independent audit reports to verify operators paid correct privilege fee amounts**

- ▶ Failure to identify operator underpayments results in lost State revenues
- ▶ Failure to identify operator overpayments could negatively impact the operators' revenues and profits

# WHAT LED TO THIS PROBLEM

## **Department lacks accountability mechanisms for ensuring it obtains and reviews audit reports**

- ▶ Department lacked process to track receipt of and review independent audit reports and:
  - ▶ Follow up with operators or their independent auditors
  - ▶ Take disciplinary action, such as issuing fines, to noncompliant operators

# PROBLEMS IDENTIFIED

1

Department did not consistently obtain and review operators' independent audit reports

2

Department and Commissions did not comply with some conflict-of-interest requirements

3

Department and Boxing/MMA Commission lacked complaint handling processes

# PROBLEM AND WHY IT MATTERS

## **Failure to comply with conflict-of-interest requirements**

- ▶ Department and commissions lacked comprehensive conflict-of-interest policies and procedures
- ▶ Noncompliance with conflict-of-interest requirements increases risk that substantial interests that might influence or affect official conduct are not disclosed

# PROBLEM IDENTIFIED

1

Department did not consistently obtain and review operators' independent audit reports

2

Department and Commissions did not comply with some conflict-of-interest requirements

3

Department and Boxing/MMA Commission lacked complaint handling processes

# PROBLEM AND WHY IT MATTERS

## **Department and Boxing and MMA Commission lacked processes for tracking and resolving all complaints**

- ▶ Department unable to demonstrate if it timely and appropriately investigated and resolved most complaints it received
- ▶ Both Department and Boxing and MMA Commission lacked comprehensive processes for handling and resolving complaints
- ▶ Lack of comprehensive complaint-handling processes limits ability to ensure complaints are timely investigated and resolved, increasing risk to public welfare and safety

# RECOMMENDATIONS OVERVIEW

## **16** recommendations to Department, including:

- ▶ Obtain and review independent audit reports
- ▶ Develop and implement conflict-of-interest policies and procedures
- ▶ Establish comprehensive complaint-handling processes

## **5** recommendations to Racing Commission, including:

- ▶ Develop and implement conflict-of-interest policies and procedures

## **9** recommendations to Boxing and MMA Commission, including:

- ▶ Develop and implement conflict-of-interest policies and procedures
- ▶ Establish comprehensive complaint-handling processes

# ADDITIONAL INFORMATION

## **Tribal-State Gaming Compact Questions and Answers**

- ▶ Information on the Compact's development and requirements
- ▶ Key changes to Compact negotiated between Governor's Office and tribes in 2021
- ▶ New gaming categories
- ▶ Changes to the number of casinos allotted to certain tribes

# ADDITIONAL INFORMATION

## **Tribal-State Gaming Compact Questions and Answers**

- ▶ Compact Trust Fund established to mitigate impacts to certain tribes from expanded gaming
- ▶ Department responsible for distributing monies to beneficiary tribes consisting of:
  - ▶ Category 2 tribes, which do not conduct gaming operations
  - ▶ Category 3 tribes, which conduct gaming operations

# PROBLEM IDENTIFIED

## **Department has not timely made payments to some tribes**

- ▶ Department distributed monies to 2 Category 2 tribes 5 months late in FY 2024.
- ▶ Department has not yet distributed monies to any Category 3 tribes
  - ▶ Category 3 tribes in ongoing negotiations regarding formula for distributions
- ▶ 2 recommendations to the Department

# OTHER ISSUES IDENTIFIED

## 18 additional recommendations to Department

- ▶ Lacked policies and procedures for some State information technology (IT) security requirements
- ▶ Lacked documentation to demonstrate qualification of horse racing licensing applicants
- ▶ Has not developed a process to regularly evaluate appropriateness of horse racing license and permit fees
- ▶ Noncompliance in other sunset factor areas including rule adoption and fulfilling public records requests

# OTHER ISSUES IDENTIFIED

## 1 additional Racing Commission recommendation

- ▶ Require staff to provide a written notice explaining to requestors the reason for any delays in fulfilling a public records request

# OTHER ISSUES IDENTIFIED

## 4 additional recommendations to the Boxing and MMA Commission

- ▶ Issued licenses to some applicants who did not demonstrate they met all statutory and rule requirements in CY 2023
- ▶ Had not developed a process to regularly evaluate its licensing and permit fees, nor regularly assessed the costs of regulatory activities



# Arizona Department of Gaming, Racing Commission, and Boxing and MMA Commission

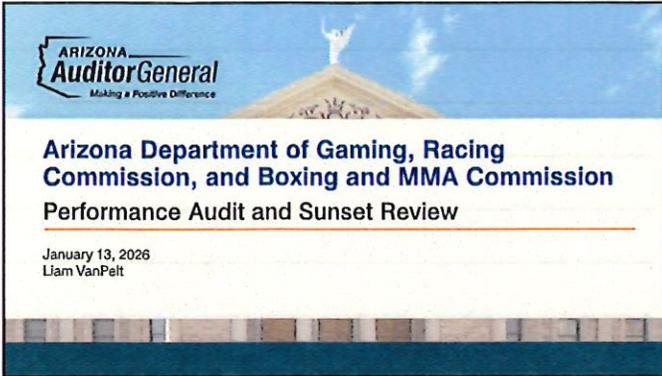
## Performance Audit and Sunset Review

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January 13, 2026

Liam VanPelt





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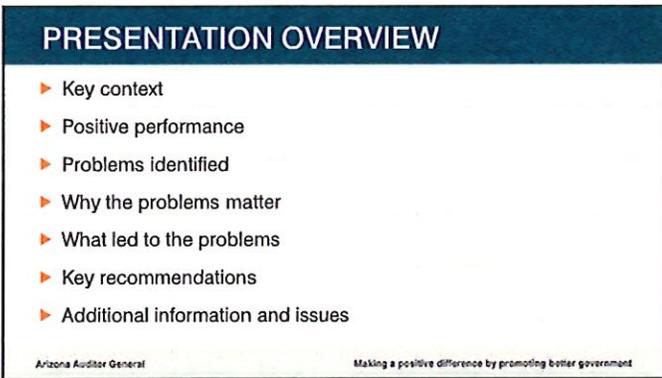
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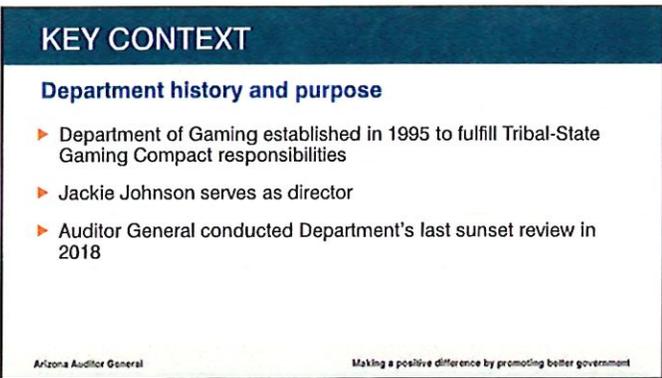
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**KEY CONTEXT**

**Department's key responsibilities**

- ▶ Regulating tribal gaming, event wagering and fantasy sports contests, and horse racing
- ▶ Supporting education, prevention, and treatment efforts aimed at reducing problem gambling
- ▶ Providing staff support to the Racing Commission and the Boxing and MMA Commission

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**KEY CONTEXT**

**Racing Commission history and responsibilities**

- ▶ Racing Commission established in 1949 to regulate and supervise horse racing and wagering in the State
- ▶ Racing Commission consists of 5 Governor-appointed members
- ▶ Racing Commission responsible for approving racetrack permits
- ▶ Auditor General last reviewed Racing Commission in 2007 and it conducted a self-review in 2024

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**KEY CONTEXT**

**Boxing and MMA Commission history and responsibilities**

- ▶ Boxing/MMA Commission established in 1958 and is responsible for regulating and supervising all boxing, kickboxing, tough man, and mixed martial arts events in Arizona
- ▶ Boxing/MMA Commission consists of 3 Governor-appointed members
- ▶ Boxing/MMA Commission responsibilities including issuing licenses to event promoters and participants
- ▶ Auditor General last reviewed Boxing/MMA Commission in 2000 and it conducted a self-review in 2017

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**POSITIVE PERFORMANCE**

**Department met requirements for some responsibilities**

- ▶ Distributed more than \$158 million in tribal contributions to various State programs and funds in FY 2024, in accordance with statute
- ▶ Issued event wagering operator licenses to qualified applicants

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**POSITIVE PERFORMANCE**

**Racing Commission met requirements for key statutory responsibility**

- ▶ Commission conducted hearings related to and approved application for renewal of commercial racetrack permit
- ▶ First hearing on permit application in July 2024
  - ▶ Not granted due to necessary racetrack repairs and financial review
- ▶ Approved application in August 2025

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**PROBLEMS IDENTIFIED**

1

Department did not consistently obtain and review operators' independent audit reports

2

Department and Commissions did not comply with some conflict-of-interest requirements

3

Department and Boxing/MMA Commission lacked complaint handling processes

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### KEY CONTEXT

#### Licensed event wagering and fantasy sports operators statutorily required to pay privilege fees

- ▶ Event wagering and fantasy sports contest operators must pay monthly fees to the Department for privilege of operating event wagering or fantasy sports contests in the State
- ▶ Most privilege fee revenues are remitted to State General Fund
- ▶ Privilege fees for event wagering and fantasy sports operators based on adjusted receipts or revenues

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### PROBLEM IDENTIFIED

#### Department did not consistently obtain and review independent audit reports to ensure accuracy of reported revenues and associated privilege fees

- ▶ Department policy requires staff to review operators' independent audit reports to verify revenues and associated fee amounts due
- ▶ In 2023, Department did not review audit reports for:
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### WHY THE PROBLEM MATTERS

#### Risks of not reviewing independent audit reports to verify operators paid correct privilege fee amounts

- ▶ Failure to identify operator underpayments results in lost State revenues
- ▶ Failure to identify operator overpayments could negatively impact the operators' revenues and profits

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**WHAT LED TO THIS PROBLEM**

**Department lacks accountability mechanisms for ensuring it obtains and reviews audit reports**

- ▶ Department lacked process to track receipt of and review independent audit reports and:
  - ▶ Follow up with operators or their independent auditors
  - ▶ Take disciplinary action, such as issuing fines, to noncompliant operators

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**PROBLEMS IDENTIFIED**

**1**

Department did not consistently obtain and review operators' independent audit reports

**2**

Department and Commissions did not comply with some conflict-of-interest requirements

**3**

Department and Boxing/MMA Commission lacked complaint handling processes

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**PROBLEM AND WHY IT MATTERS**

**Failure to comply with conflict-of-interest requirements**

- ▶ Department and commissions lacked comprehensive conflict-of-interest policies and procedures
- ▶ Noncompliance with conflict-of-interest requirements increases risk that substantial interests that might influence or affect official conduct are not disclosed

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**PROBLEM IDENTIFIED**

**1**

Department did not consistently obtain and review operators' independent audit reports

**2**

Department and Commissions did not comply with some conflict-of-interest requirements

**3**

Department and Boxing/MMA Commission lacked complaint handling processes

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16

**PROBLEM AND WHY IT MATTERS**

**Department and Boxing and MMA Commission lacked processes for tracking and resolving all complaints**

- ▶ Department unable to demonstrate if it timely and appropriately investigated and resolved most complaints it received
- ▶ Both Department and Boxing and MMA Commission lacked comprehensive processes for handling and resolving complaints
- ▶ Lack of comprehensive complaint-handling processes limits ability to ensure complaints are timely investigated and resolved, increasing risk to public welfare and safety

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**RECOMMENDATIONS OVERVIEW**

**16** recommendations to Department, including:

- ▶ Obtain and review independent audit reports
- ▶ Develop and implement conflict-of-interest policies and procedures
- ▶ Establish comprehensive complaint-handling processes

**5** recommendations to Racing Commission, including:

- ▶ Develop and implement conflict-of-interest policies and procedures

**9** recommendations to Boxing and MMA Commission, including:

- ▶ Develop and implement conflict-of-interest policies and procedures
- ▶ Establish comprehensive complaint-handling processes

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**ADDITIONAL INFORMATION**

**Tribal-State Gaming Compact Questions and Answers**

- ▶ Information on the Compact's development and requirements
- ▶ Key changes to Compact negotiated between Governor's Office and tribes in 2021
  - ▶ New gaming categories
  - ▶ Changes to the number of casinos allotted to certain tribes

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**ADDITIONAL INFORMATION**

**Tribal-State Gaming Compact Questions and Answers**

- ▶ Compact Trust Fund established to mitigate impacts to certain tribes from expanded gaming
- ▶ Department responsible for distributing monies to beneficiary tribes consisting of:
  - ▶ Category 2 tribes, which do not conduct gaming operations
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**PROBLEM IDENTIFIED**

**Department has not timely made payments to some tribes**

- ▶ Department distributed monies to 2 Category 2 tribes 5 months late in FY 2024.
- ▶ Department has not yet distributed monies to any Category 3 tribes
  - ▶ Category 3 tribes in ongoing negotiations regarding formula for distributions
- ▶ 2 recommendations to the Department

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21

**OTHER ISSUES IDENTIFIED**

**18 additional recommendations to Department**

- ▶ Lacked policies and procedures for some State information technology (IT) security requirements
- ▶ Lacked documentation to demonstrate qualification of horse racing licensing applicants
- ▶ Has not developed a process to regularly evaluate appropriateness of horse racing license and permit fees
- ▶ Noncompliance in other sunset factor areas including rule adoption and fulfilling public records requests

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22

**OTHER ISSUES IDENTIFIED**

**1 additional Racing Commission recommendation**

- ▶ Require staff to provide a written notice explaining to requestors the reason for any delays in fulfilling a public records request

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23

**OTHER ISSUES IDENTIFIED**

**4 additional recommendations to the Boxing and MMA Commission**

- ▶ Issued licenses to some applicants who did not demonstrate they met all statutory and rule requirements in CY 2023
- ▶ Had not developed a process to regularly evaluate its licensing and permit fees, nor regularly assessed the costs of regulatory activities

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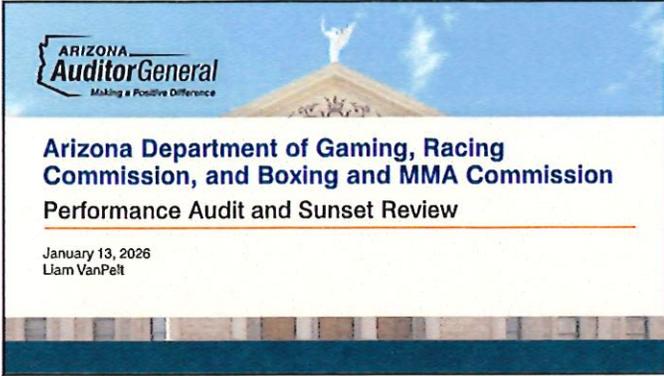
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***Performance Audit and Sunset Review  
Presentation to Committee of Reference***

**January 13, 2026**

**Arizona Department of Gaming  
– Director Jackie Johnson**

# Agency Overview

Established by the Arizona State  
Legislature in 1995.

118 FTE & \$37.6M Budget

The Department is funded  
primarily through tribal gaming  
contributions, event wagering  
privilege fees, fantasy sports  
privilege fees, and regulatory  
assessments.

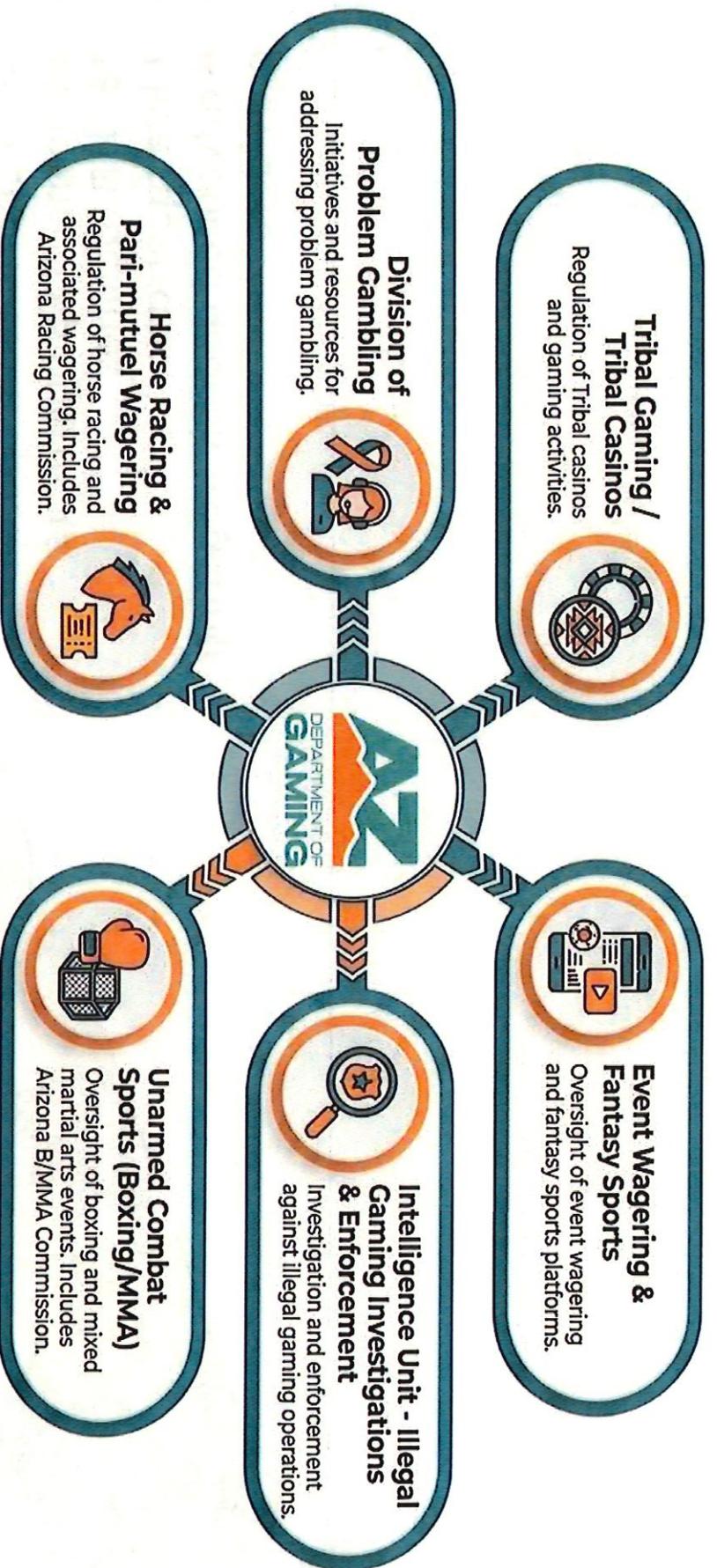
## Our North Star:

- ❖ World-class gaming regulation benefitting all of Arizona

## How We Achieve This:

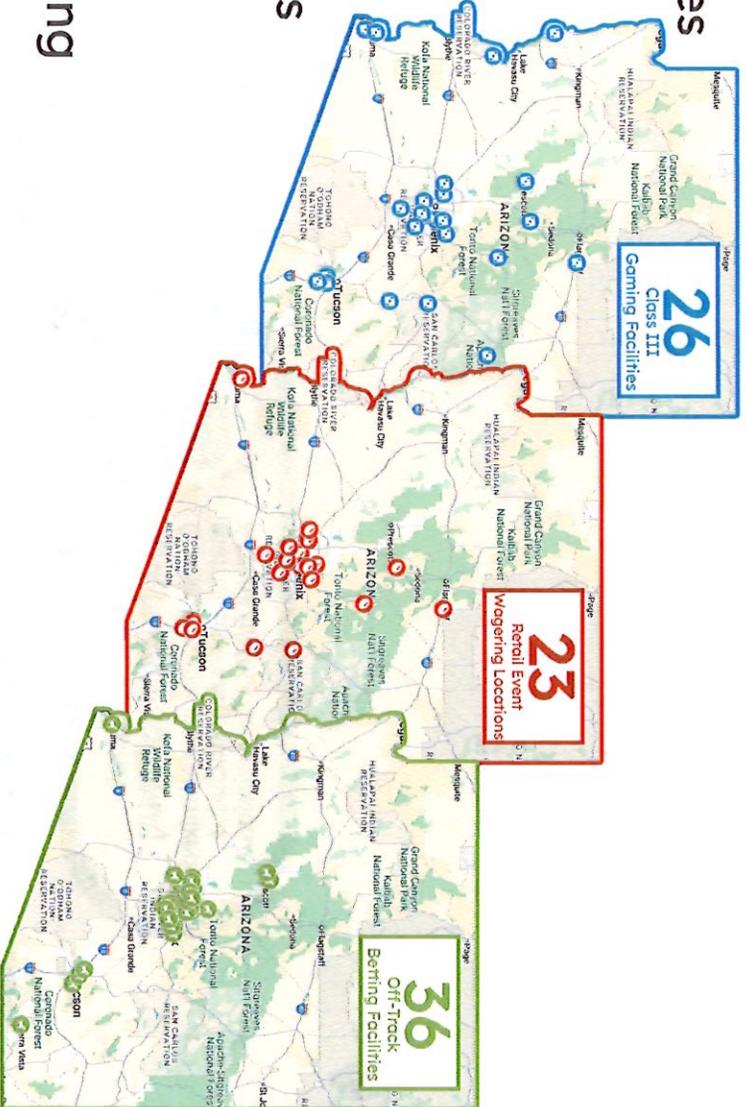
- ❖ Fair and effective regulation
- ❖ Collaboration and transparency with tribal and intergovernmental partners and industry stakeholders
- ❖ Education for consumers including how to access problem gambling support

# The Department At-a-Glance



# State of Gaming in AZ

- **26** Class III gaming facilities operated by 16 Tribes
- **23** retail EW facilities
  - **20** tribal facilities
  - **3** sports team facilities
- **14** licensed EW operators
  - **7** tribal operators
  - **7** sports team operators
- **14** licensed FS operators
- **36** OTB facilities
- **1** live racetrack
- **4** advanced deposit wagering providers

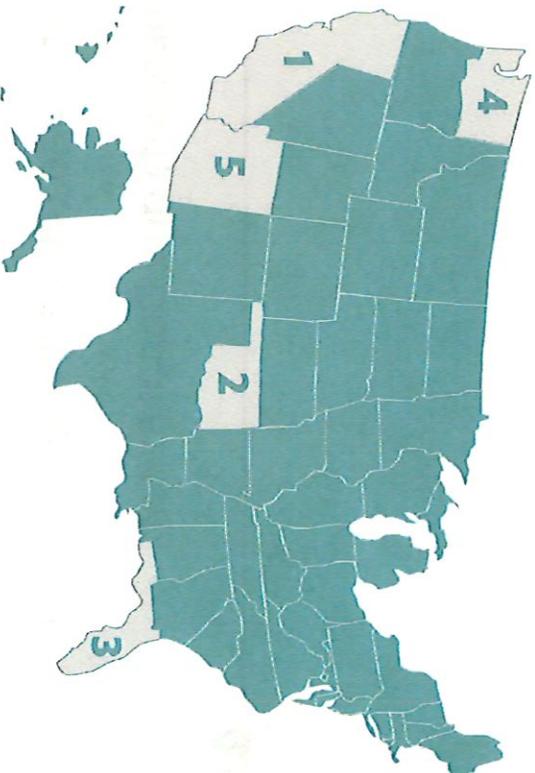


# Economic Impact of Gaming

## Cumulative financial impacts to Arizona:

- Tribal Casinos since 2004: \$2.2 billion to the state and \$281 million to local governments; a total of \$2.5 billion through 12/31/2025.
- Event Wagering & Fantasy Sports since 2021: \$162 million to the state through 12/31/2025.

AZ is 5th in Tribal Revenue Share Nationwide



# Fiscal Year 2025 & Where the Money Goes

## Financial impacts to the state, cities, towns, and counties:

Tribal contributions in last fiscal year:

- \$163 million to the state
- \$22 million to cities, towns, and counties

EWFS privilege fees in last fiscal year:

- \$44 million to the state via EW privilege fees
- \$1.5 million to the state via FS privilege fees

## Where the money goes:

- Tribal contributions go to the Arizona Benefits Fund (88 percent) and Cities, Towns, and Counties (12 percent)
- Privilege fees flow to the General Fund (90 percent) and Department regulation (10 percent)

# Combating Illegal Gaming Operations

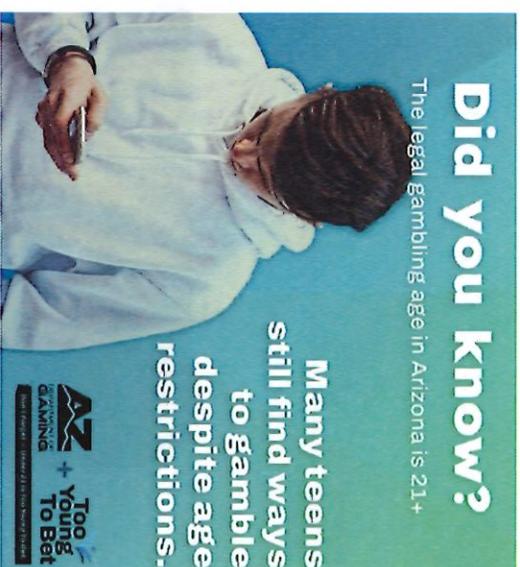
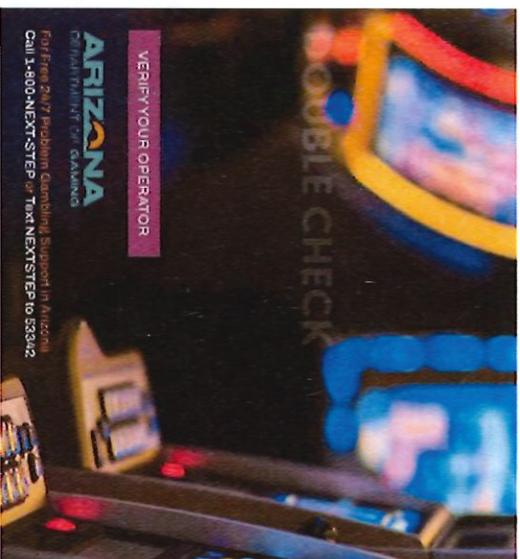


# Consumer Protection & Public Safety

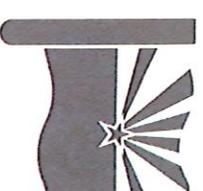


**Check Your Bet:** statewide initiative to combat illegal gambling, connecting the public with trusted resources and information.

**Too Young To Bet:** new statewide initiative to raise awareness about the risks of youth gambling and help prevent early exposure to gambling.



# Serving Arizonans



Key milestones and wins include:

- Launched legal event wagering on September 9, 2021, just five months after legalization, one of the fastest regulatory rollouts in the country.
- The Department's Debt Set-Off Program intercepted \$1.66 million in event wagering/fantasy sports winnings on behalf of Arizona courts and other state agencies since the beginning of its intergovernmental collaboration.
- The Division of Problem Gambling funded \$1.5 million in direct treatment for problem gambling in FY25 and recently awarded the state's first-ever peer support program dedicated exclusively to problem gambling.
- Digital public service campaigns generated over 4 million digital impressions in FY 2025, driving consumer awareness and knowledge of responsible gambling and problem gambling.

# Department Audit Response & Progress

# 100%

Percent of recommendations in progress

**Finding #1:** The Department did not consistently obtain & review EWFS operators' third-party audit reports

**Recommendation 1:** The Dept. has begun implementation of the recommendation through issuing guidance to operators on 3rd party audits and the implementation of a new system (Salesforce) to modernize and streamline the audit report process.

**Recommendation 2-4:** The Dept. has begun conducting a comprehensive review of event wagering and fantasy sports operators' independent audit reports submitted since 2021. The Department will require corrective action for any identified deficiencies, overpayments, or underpayments, and will update internal policies, procedures, and staff training to support ongoing compliance.

**Recommendation 5-6:** The Dept. has begun reviewing and revising applicable policies and procedures related to the review of independent audit reports for event wagering and fantasy sports operators. Revised policies will be communicated to licensed operators, and agency staff will be trained to support consistent and effective implementation.

- Agrees to all recommendations
- Has begun implementation of the 6 recommendations

# Department Audit Response & Progress

# 100%

Percent of recommendations in progress

**Finding #2:** The Department lacks a comprehensive complaint handling processes

- Agrees to all recommendations
- Has begun implementation of the 6 recommendations

**Recommendation 7-9:** The Dept. identified constituent inquiry and complaint handling as a strategic breakthrough project on our strategic plan. This initiative includes developing and implementing comprehensive policies and procedures, establishing complaint-tracking mechanisms to ensure timely investigation and resolution, and making complaint-handling information readily available on the Department's website.

**Recommendation 10:** The Dept. has begun revising its complaint-tracking processes to ensure Tribal Gaming Offices are notified within 48 hours of the receipt or report of a complaint alleging Compact noncompliance.

**Recommendation 11:** The Dept. has established processes and is updating its electronic complaint-tracking system to ensure final letters are sent to complainants within five days after completing an investigation, where an investigation is warranted.

**Recommendation 12:** The Dept. has incorporated Ombudsman-requested language into patron communications and developing policies and procedures to ensure timely status updates to complainants and appropriate follow-up with licensees that fail to take or respond to recommended corrective actions.

# Department Audit Response & Progress

## 75%

Percent of recommendations completed

**Finding #3:** Department, Racing Commission, and Boxing and MMA Commission did not comply with some State conflict of interest requirements.

- Agrees to all recommendations
- Has completed 3 of the 4 recommendations and the 4th is in progress

**Recommendation 13 & 16:** The Department has finalized a conflict-of-interest policy and disclosure forms for Department staff, requiring disclosures upon hire, annually, and when circumstances change, and has provided Department-wide conflict-of-interest and procurement ethics training in 2025. The next Department-wide annual training is scheduled for January 30th where staff will be required to complete the disclosure forms.

**Recommendation 14 & 15:** The Department has created a separate file to store staff disclosure forms, which is available for public inspection. The Department has also created a process to review and remediate disclosed conflicts.

# Department of Gaming Sunset Factor Recommendations & Progress

Sunset Factor	Recommendations	Number Completed	Details
2: The Department's effectiveness & efficiency in fulfilling its key statutory objectives & purposes.	17	14	<ul style="list-style-type: none"> <li>Agrees to all recommendations.</li> <li>Has begun implementation of all items.</li> <li>Additional details on next slide.</li> </ul>
4: The extent to which rules adopted by the Department are consistent with the legislative mandate.	2	0	<ul style="list-style-type: none"> <li>Agrees to all recommendations.</li> <li>The Dept. has begun its internal review of the BMMA &amp; Fantasy Sports rules and will include rule changes to address the requirements to the extent necessary.</li> </ul>
5: The extent to which the Department has provided appropriate public access to records, meetings, & rulemakings, including soliciting public input in making rules & decisions.	1	All	<ul style="list-style-type: none"> <li>Agrees to the recommendation.</li> <li>The Dept. has completed implementation.</li> </ul>



# In Detail: Sunset Factor 2 Highlights

The Department's effectiveness & efficiency in fulfilling its key statutory objectives & purposes.

Problem Gambling	Tribal Gaming	Event Wagering & Fantasy Sports	Horse Racing	Department-wide Policies & Controls
<p><u>Ongoing:</u> developing a time-bound plan detailing outside Evaluator recommendations and next steps</p> <p>(only 1 recommendation in this area)</p>	<p><u>Completed:</u> Implemented procedures for reconciling Class III net win reporting</p> <p><u>Completed:</u> Compact Compliance Review changes: problem gambling, game machines, game tables</p>	<p><u>Completed:</u> Added Ombudsmen's language for emails with complainants</p> <p><u>Ongoing:</u> Developing improvements for timely status updates on investigations</p>	<p><u>Completed:</u> Incorporated national infractions database into processes</p> <p><u>Drafted:</u> Commission specific COI policies</p> <p><u>Ongoing:</u> Implementing COI items</p>	<p><u>Ongoing:</u> Implementing complaint tracking system</p> <p><u>Ongoing:</u> Implementing drafted COI disclosure policy and training staff</p>



# Arizona Racing Commission

**ARIZONA**  
DEPARTMENT OF GAMING

# Commission Overview

The Arizona Racing Commission was established by the legislature in 1949 to provide for legal, regulated racing. In 2015, the legislature consolidated Racing into the ADG.

The five Commissioners are:

- Kandace French Contreras (Chair)
- Tracy Olson (Vice Chair)
- Chuck Coolidge
- Jay Zucker
- James Padish

## Key Statutory Responsibilities

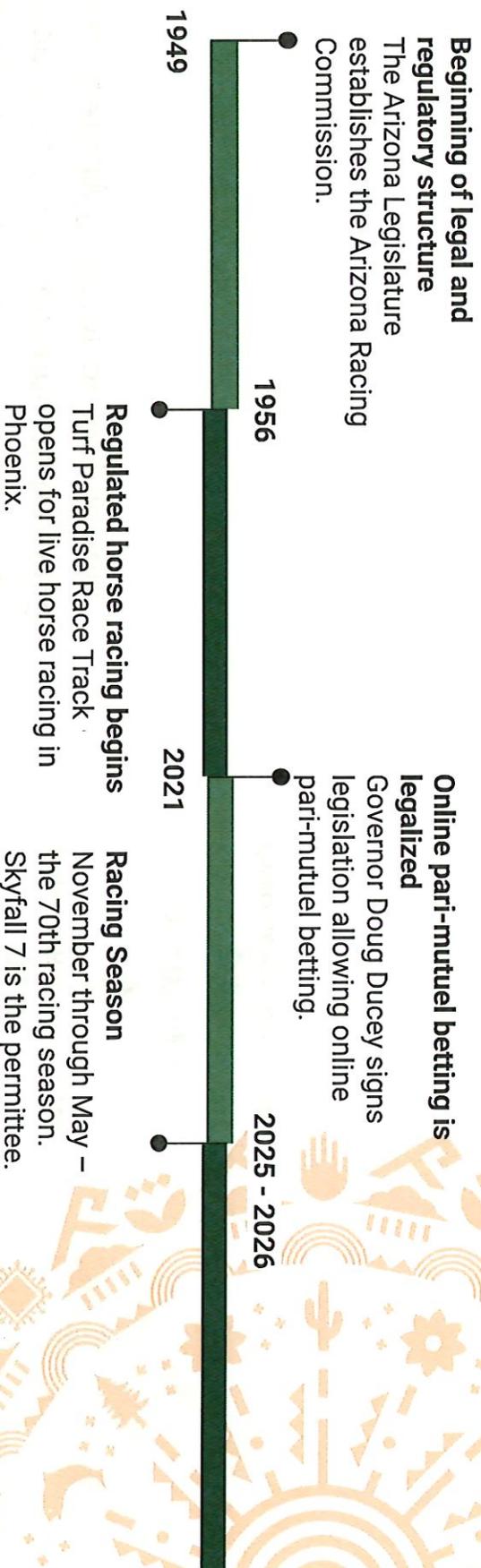
- ▶ Establishing rules for racing in Arizona to protect the welfare of race horses and protect and promote public health, safety, and the proper conduct of racing and pari-mutuel wagering in Arizona.
- ▶ Conducting hearings on and approving or denying permits, and setting race dates.

## Appointment by Governor

- ▶ The Governor appoints Commissioners. They serve a five year term.

# History of Racing in Arizona (in brief)

Year over year, the Racing Commission continues to meet in a public setting. Commissioners vote on permitting and other matters as appropriate.



# Safety and Leadership Highlights

Arizona recorded its **lowest equine**

**fatality rate** last season – its lowest since the state began tracking these metrics.

With strong regulation and safety these past few months, the Department is on track to extend this achievement into 2026.

This season, the Department has a new

**Racing Division Director** – Shannon

Nelson, who is also continuing her ADG role as Deputy Director of Regulation.

**337**

Pre-Race TC02 Tests

**1,370**

Post-Race Blood Tests

**1,180**

Post-Race Urine Tests

**100%**

Completion of Pre-Race Exams

**94%**

Completion of Post-Race Exams

**93%**

Review of Red Flag Horses



**Resulting in**

**0.89**

Fatalities Per 1,000 Starts



# Racing Commission Audit Response & Progress

# 40%

Percent of recommendations completed

**Finding #3:** Department, Racing Commission, and Boxing and MMA Commission did not comply with some State conflict of interest requirements.



- Agrees to all recommendations
- Has completed 2 of 5 recommendations and has begun implementation of the other 3 recommendations

**Recommendation 1 & 5:** The Dept. has developed a Commission-specific conflict-of-interest disclosure form and a Conflicts of Interest Policy which includes Commission-specific requirements. Commissioners are required to complete disclosures upon appointment, annually, and when circumstances change. Commissioners will be receive annual training and complete the disclosure form.

**Recommendation 2:** The Dept. has incorporated reminders into annual conflict-of-interest training that Commissioners must fully disclose conflicts of interest during public meetings.

**Recommendation 3 & 4:** The Department's Division of Racing has created a separate file to store Commissioner disclosure forms, which is available for public inspection. The Conflicts of Interest Policy includes a process to review and remediate disclosed conflicts.

# Sunset Factor 5 Recommendation & Progress

# 100%

Percent complete of recommendation

**Sunset factor 5:** The extent to which the Racing Commission has provided appropriate public access to records, meetings, and rulemakings, including soliciting public input in making rules and decisions.

- Agrees to the recommendation and has completed implementation of Recommendation 6

We continue to adhere to A.R.S. § 38-431.02, Notice of Meetings, which requires public bodies to properly inform and engage the public:

- (a) *Conspicuously post a statement on their website stating where all public notices of their meetings will be posted, including the physical and electronic locations, and shall give additional public notice as is reasonable and practicable as to all meetings.*
- (b) *Post all public meeting notices on their website and give additional public notice as is reasonable and practicable as to all meetings.*

## **Recommendation 6:**

The Commission has updated and implemented its policies and procedures to require staff to provide a written notice explaining to requestors the reason(s) for any delay(s) in fulfilling a public records request.



# Boxing & MMA Commission

**ARIZONA**  
DEPARTMENT OF GAMING

# Commission

## Overview

The Arizona Boxing & MMA (Mixed Martial Arts) Commission is the public body charged with regulating all professional boxing and unarmed combat sports. In 2015, it became part of the Department.

The three Commissioners are:

- Scott Fletcher
- Ara Feinstein
- Xavier “Alex” Carpio

### Key Statutory Responsibilities

- ▶ Regulating boxing contests, toughman contests, and mixed martial arts contests held in the State, including supervising weigh-ins and assigning referees.
- ▶ Granting licenses for all boxing, tough man, and mixed martial arts contests held in the State, including fighters/participants, referees, judges, inspectors, and physicians.

### Appointment by Governor

- ▶ The Governor appoints Commissioners. They serve a three year term.

# Highlights from Boxing & MMA

- Launched a **baseline concussion testing protocol** as a tool to enhance safety for participants in unarmed combat sports (FY 2025).
- Successfully implemented **Senate Bill 1679** (2024), helping to modernize oversight and regulation, for example consistent licensing periods (valid for a full year), which improves compliance and reduces financial burdens for fighters, promoters, and organizers
- Licensed **1,027** fighters, promoters, and event officials while holding **28** events including nine Arizona events televised worldwide (FY 2025).



# Boxing & MMA Commission Audit Response & Progress

# 50%

Percent of recommendations completed

**Finding #3:** Department, Racing Commission, and Boxing and MMA Commission did not comply with some State conflict of interest requirements.

- Agrees to all recommendations
- Has completed 2 of the 4 recommendations and has begun implementation of the other 2 recommendations

**Recommendation 1 & 4:** The Dept. has developed a Commission-specific conflict-of-interest disclosure form and a Conflicts of Interest Policy which includes Commission-specific requirements. Commissioners are required to complete disclosures upon appointment, annually, and when circumstances change. Commissioners will receive annual training and complete the disclosure form.

**Recommendation 2:** The Department's Division of BMMA has created a separate file to store Commissioner disclosure forms, which is available for public inspection.

**Recommendation 3:** The Conflicts of Interest Policy includes a process to review and remediate disclosed conflicts.

# Sunset Factor 2 Recommendations & Progress

The Commission's effectiveness & efficiency in fulfilling its key statutory objectives & purposes.

Recommendation 5	Recommendation 6	Recommendation 7	Recommendation 8
<p><b>100% Complete</b></p> <p>The Dept. has revised and implemented standardized licensing policies and procedures to ensure all boxing and MMA applicants meet initial and renewal licensing requirements, including submitting a signed code of conduct and fingerprints for criminal history background checks, prior to license issuance.</p>	<p><b>In Progress</b></p> <p>The Dept. is conducting a review of boxing and MMA licensing applicants approved in calendar year 2025 to determine whether any applicants failed to meet all licensing requirements and will take corrective action, including requiring criminal history background checks, where deficiencies are identified.</p>	<p><b>100% Complete</b></p> <p>The Dept. requires applicable licensing applicants to submit a signed code of conduct and to track fingerprint submissions to ensure license applications are not processed without all statutory and regulatory requirements being met.</p>	<p><b>In Progress</b></p> <p>The Department has begun revising and implementing policies and procedures for periodically evaluating boxing and MMA regulatory costs and fee amounts, including developing a cost methodology to assess fee appropriateness and support budgeting and financial planning.</p>

# Sunset Factor 6 Recommendations & Progress

# 100%

Percent of recommendations in progress

**Sunset factor 6:** The extent to which the Commission timely investigated and resolved complaints that are within its jurisdiction.

- Agrees to all recommendations
- Has begun implementation of the 5 recommendations



**Recommendation 9-13:** The Department has begun implementing all complaint-handling recommendations for the Boxing & MMA Commission as part of the Department-wide constituent inquiry and complaint-handling breakthrough project.

This initiative will establish accessible complaint submission methods, standardized documentation requirements, defined timelines for investigation and resolution, required notifications to involved parties, and centralized tracking and monitoring to ensure complaints within the Commission's jurisdiction are investigated and resolved in a timely and consistent manner.





**Thank You**

**Find us online at [gaming.az.gov](http://gaming.az.gov)**



**ARIZONA HOUSE OF REPRESENTATIVES**  
**Fifty-seventh Legislature - Second Regular Session**

**ROLL CALL VOTE**

COMMITTEE ON Commerce BILL NO. Recommendation

DATE January 13, 2026 MOTION: Gaming 2 year

	PASS	AYE	NAY	PRESENT	ABSENT
Aguilar			✓		
Blackman		✓			
Carter N		✓			
Cavero			✓		
Connolly			✓		
Diaz		✓			
Hendrix		✓			
Villegas			✓		
Wilmeth		✓			
Way, Vice-Chairman		✓			
Weninger, Chairman		✓			
		7	4	0	0

Jana Babel  
 COMMITTEE SECRETARY

APPROVED:

Jeff Weninger  
 JEFF WENINGER, Chairman  
 MICHAEL WAY, Vice-Chairman

ATTACHMENT 6

**ARIZONA HOUSE OF REPRESENTATIVES**  
**Fifty-seventh Legislature - Second Regular Session**

**ROLL CALL VOTE**

COMMITTEE ON Commerce BILL-NO. Recommendation

DATE January 13, 2026 MOTION: Racing Commission  
Cont. 4 years

	PASS	AYE	NAY	PRESENT	ABSENT
Aguilar		✓			
Blackman		✓			
Carter N		✓			
Cavero		✓			
Connolly		✓			
Diaz		✓			
Hendrix			✓		
Villegas		✓			
Wilmeth		✓			
Way, Vice-Chairman		✓			
Weninger, Chairman		✓			
		10	1	2	2

APPROVED:

  
 \_\_\_\_\_  
 JEFF WENINGER, Chairman  
 MICHAEL WAY, Vice-Chairman

  
 \_\_\_\_\_  
 COMMITTEE SECRETARY.

ATTACHMENT 7

**ARIZONA HOUSE OF REPRESENTATIVES**  
**Fifty-seventh Legislature - Second Regular Session**

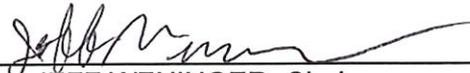
**ROLL CALL VOTE**

COMMITTEE ON Commerce BILL-NO. Recommendation

DATE January 13, 2026 MOTION: Boxing MMA Commission Cont. 6 years

	PASS	AYE	NAY	PRESENT	ABSENT
Aguilar		✓			
Blackman		✓			
Carter N		✓			
Cavero		✓			
Connolly		✓			
Diaz		✓			
Hendrix		✓			
Villegas		✓			
Wilmeth		✓			
Way, Vice-Chairman		✓			
Weninger, Chairman		✓			
		11	0	0	0

APPROVED:

  
 JEFF WENINGER, Chairman  
 MICHAEL WAY, Vice-Chairman

  
 COMMITTEE SECRETARY

ATTACHMENT 8