

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES  
DEPARTMENT OF GAMING**

**ALL NON-GENERAL FUNDS**

**FY 2010 All Non-General Funds Budget (less Federal Funds) 13,181,900**

**AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds) \$1,977,300**

Fund	Reductions Amount	Percent Reductions
Arizona Benefits Fund	\$1,634,355	82.7%
Tribal/State Compact Fund	\$297,930	15.1%
Lottery Fund	\$45,000	2.3%
<b>Issue Total</b>	<b>\$1,977,285</b>	

All Non-General Funds Total as a Percentage of Agency Non-GF Reduction Target 100%

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES  
DEPARTMENT OF GAMING**

**ARIZONA BENEFITS FUND**

**FY 2010 All Non-General Funds Budget (less Federal Funds)      13,181,900**

**AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds)      \$1,977,300**

<b>Priority</b>	<b>Issue Title<sup>1</sup></b>	<b>Reductions Amount</b>
1	Eliminate Funding for U.S. Attorney	\$296,600
2	Eliminate Joint Monitoring System Ongoing Costs	\$233,300
3	Reduction Travel, Operating, Equipment - Enforcement	\$429,000
4	Reduction P/O, Advertising - Problem Gambling	\$675,455
	<b>Issue Total</b>	<b>\$1,634,355</b>
	<b>Fund Total as a Percentage of Non-General Fund Reduction Target</b>	<b>83%</b>

<sup>1</sup> Please complete the attached Description and Impact Statement for each issue.

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES  
ARIZONA DEPARTMENT OF GAMING**

**LOTTERY FUND**

**FY 2010 All Non-General Funds Budget (less Federal Funds) 13,181,900**

**AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds) \$1,977,300**

<b>Priority</b>	<b>Issue Title<sup>1</sup></b>	<b>Reductions Amount</b>
6	Reduction in P/O	\$45,000
	<b>Issue Total</b>	<b>\$45,000</b>

**Fund Total as a Percentage of Non-General Fund Reduction Target 2%**

<sup>1</sup> Please complete the attached Description and Impact Statement for each issue.

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES  
ARIZONA DEPARTMENT OF GAMING**

**TRIBAL/STATE COMPACT FUND**

<b>FY 2010 All Non-General Funds Budget (less Federal Funds)</b>	<b>13,181,900</b>
<b>AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds)</b>	<b>\$1,977,300</b>

<b>Priority</b>	<b>Issue Title<sup>1</sup></b>	<b>Reductions Amount</b>
5	Reduction in Travel, Equipment, P/O - Casino Operations	\$297,930
	<b>Issue Total</b>	<b>\$297,930</b>

Fund Total as a Percentage of Non-General Fund Reduction Target      15%

<sup>1</sup> Please complete the attached Description and Impact Statement for each issue.

**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**Department of Gaming**

**Issue Title: Eliminate Funding for U.S. Attorney, Arizona Benefits Fund  
A.R.S. Section 5-601.02(I)(6)(B)(VIII); Compact Section 13(e)**

**Issue Priority: 1**

**Reduction Amounts:**

Arizona Benefits Fund: \$296,600

**Total: \$296,600**

**Issue Description and Statement of Effects**

Proposition 202, passed in November, 2002, at A.R.S. Section 5-601.02(I)(6)(B)(VIII), and the Tribal-State Gaming Compact at Section 13(e), require that:

The state and the tribe[s] . . . coordinate the use of resources, authority and personnel of the state and the tribe[s] for the shared goal of preventing and prosecuting criminal or undesirable activity by players, employees, or business in connection with tribal gaming facilities.

As one means of fulfilling this obligation, the Arizona Department of Gaming (“ADG”) has entered into an Agreement with the U.S. Attorney’s Office to fund a prosecutor dedicated to prosecuting casino crimes in Arizona. This position is funded from the Arizona Benefits Fund. The Memorandum of Understanding is a five year agreement that was signed in September, 2005, in an amount of \$296,600 per year. This includes \$100,000 per year for training of tribal and ADG employees to enhance interdiction and prosecution of criminal offenses.

This program, unique in the nation, has resulted in a number of successful prosecutions as well as thousands of training hours. Elimination of this program will remove a deterrent against crime at Arizona Tribal casinos and will reduce the amount of training available to tribal and ADG employees. Elimination of this program will also negatively affect the State’s resources devoted to complying with Section 13(e) of the Compact quoted above.

There are the constitutional and statutory prohibitions on sweeping monies from the Arizona Benefits Fund. Because the Arizona Benefits Fund was created via the initiative process, the Voter Protection Act safeguards that Fund from uses other than those specifically prescribed in Proposition 202. Ariz. Const. Art. 4, Part 1 §1(6)(C) and (D). These prohibitions have also been incorporated into statute. See A.R.S. § 5-601.02(H). Further, the protection of this Fund is included in the terms of the State’s compacts with Arizona’s Indian Tribes. See Compact Section 12(c). Consequently, sweeping such funds could give rise to contract breach and other legal claims from Arizona’s Indian Tribes.

October 9, 2009

**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**Department of Gaming**

**Issue Title: Eliminate Joint Monitoring System Ongoing Costs; Arizona Benefits Fund  
A.R.S. Section 5-601.02(I)(6)(B)(III); Compact Section 3(b)(5)**

**Issue Priority: 2**

**Reduction Amounts:**

Arizona Benefits Fund: \$233,300

**Total: \$233,300**

**Issue Description and Statement of Effects**

Proposition 202, passed in November, 2002, at A.R.S. Section 5-601.02(I)(6)(B)(III), and the Tribal-State Gaming Compact at Section 3(b)(5), require that the six metro area Tribes “provide the State Gaming Agency with real time read-only electronic access to the on-line electronic game management system for each Gaming Facility of the Tribe . . . to provide the State Gaming Agency a more effective and efficient means of regulating Gaming Devices and tracking revenues.” This connectivity is referred to in Appendix A of the Compact as a Joint Monitoring System.

The proposed reduction includes costs of on-going costs of the Joint Monitoring System. This reduction will prevent Gaming from fulfilling its obligation under the Compact of the Joint Monitoring System, as well as deprive the Arizona Department of Gaming of an important tool for regulation and tracking of revenues. Tracking of revenues is critical to ensuring that Tribal contributions to the State are accurate and complete.

There are the constitutional and statutory prohibitions on sweeping monies from the Arizona Benefits Fund. Because the Arizona Benefits Fund was created via the initiative process, the Voter Protection Act safeguards that Fund from uses other than those specifically prescribed in Proposition 202. Ariz. Const. Art. 4, Part 1 §1(6)(C) and (D). These prohibitions have also been incorporated into statute. See A.R.S. § 5-601.02(H). Further, the protection of this Fund is included in the terms of the State’s compacts with Arizona’s Indian Tribes. See Compact Section 12(c). Consequently, sweeping such funds could give rise to contract breach and other related legal claims from Arizona’s Indian Tribes.

**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**Department of Gaming**

**Issue Title: Reduction Travel, Operating, Equipment – Enforcement Fund  
A.R.S. Section 5-601 et seq.; Tribal-State Gaming Compact**

**Issue Priority: 3**

**Reduction Amounts:**

Arizona Benefits Fund: \$429,000

**Total: \$429,000**

**Issue Description and Statement of Effects**

The Arizona Department of Gaming's ("ADG") responsibilities with regard to protecting the public, ensuring compliance with the Tribal-State Gaming Compact, and regulating the gaming industry are set forth in statute and the Compact. The proposed reductions in travel, equipment and other operating expenses are not tied to specific programs; therefore it is not possible to quantify a specific impact. However, such a reduction would have the effect of limiting ADG's ability to carry out its law enforcement duties and responsibilities to the State, Arizona's Indian Tribes and the public.

There are the constitutional and statutory prohibitions on sweeping monies from the Arizona Benefits Fund. Because the Arizona Benefits Fund was created via the initiative process, the Voter Protection Act safeguards that Fund from uses other than those specifically prescribed in Proposition 202. Ariz. Const. Art. 4, Part 1 §1(6)(C) and (D). These prohibitions have also been incorporated into statute. See A.R.S. § 5-601.02(H). Further, the protection of this Fund is included in the terms of the State's compacts with Arizona's Indian Tribes. See Compact Section 12(c). Consequently, sweeping such funds could give rise to contract breach and other related legal claims from Arizona's Indian Tribes.

**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**Department of Gaming**

**Issue Title: Reduction P/O, Advertising – Problem Gambling; Arizona Benefits Fund**  
A.R.S. Section 5-601.02(H)(3)(A)(II); Compact Section 12(c)

**Issue Priority: 4**

**Reduction Amounts:**

Arizona Benefits Fund: \$675,455

**Total: \$675,455**

**Issue Description and Statement of Effects**

Proposition 202, passed in November, 2002, requires that a portion of Tribal contributions made to the Arizona Benefits Fund be used for problem gambling treatment, education and prevention. A.R.S. Section 5-601.02(H)(3)(A)(II). This requirement is also embedded in the Tribal-State Gaming Compact. Section 12(c).

This proposed reduction would reduce expenditures on treatment services for problem gamblers, as well as on education and training, advertising and other P/O. Based on the average cost of treatment per client during FY2008, this reduction would eliminate funding for approximately 630 clients. This would also significantly reduce advertising dollars, which are used to both educate the public as well as prevent problem gambling. Treatment, education and prevention are all specific purposes for which problem gambling dollars are to be spent. This proposed reduction will negatively affect Arizona Department of Gaming's ability to fulfill those purposes.

There are the constitutional and statutory prohibitions on sweeping monies from the Arizona Benefits Fund. Because the Arizona Benefits Fund was created via the initiative process, the Voter Protection Act safeguards that Fund from uses other than those specifically prescribed in Proposition 202. Ariz. Const. Art. 4, Part 1 §1(6)(C) and (D). These prohibitions have also been incorporated into statute. See A.R.S. § 5-601.02(H). Further, the protection of this Fund is included in the terms of the State's compacts with Arizona's Indian Tribes. See Compact Section 12(c). Consequently, sweeping such funds could give rise to contract breach and other related legal claims from Arizona's Indian Tribes.

**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**Department of Gaming**

**Issue Title: Reduction Travel, Equipment, P/O – Casino Operations  
A.R.S. Sections 5-601.02(I)(6)(B)(IV) and 5-602; Compact Section 4**

**Issue Priority: 5**

**Reduction Amounts:**

Tribal/State Compact Fund: \$297,930

**Total: \$297,930**

**Issue Description and Statement of Effects**

The Arizona Department of Gaming (“ADG”) is required, pursuant to statute and Compact, to certify gaming employees, providers of gaming services, and other entities involved in Tribal gaming, to protect the public and to prevent corrupt influences from infiltrating Tribal gaming. ADG conducts in-depth investigations for vendors providing products used in the play of Class III games. These investigations include travel to the headquarters of these vendors to conduct on-site interviews, review documents, and conduct tours of facilities. Most of these headquarters are out of state. ADG also conducts background investigations of gaming employees. In addition, when potential Compact violations occur which may result in the denial or revocation of a certification issued by ADG, ADG must conduct extensive investigations. The initial background investigations as well as any subsequent investigations pertaining to Compact violations may all involve in-state and/or out of state travel.

The proposed reduction affects in-state and out-of-state travel, as well as equipment, P/O and OOE related to ADG’s certification responsibilities. These reductions will affect the ability to conduct in-depth investigations in some instances, and will make it more difficult for ADG to meet its obligation to protect the public and keep corrupting influences out of Arizona’s gaming industry.

There are statutory prohibitions on sweeping monies from the Tribal/State Compact Fund. According to A.R.S. § 5-601(G), monies in this fund “shall only be used for reimbursement of administrative and regulatory expenses incurred by [ADG].” Consequently, sweeping such funds could give rise to legal challenges.

**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**Department of Gaming**

**Issue Title: Reduction in Lottery Allotment  
A.R.S. Section 5-601.02(H)(3)(A)(II); Tribal-State Gaming Compact. Section 12(c)**

**Issue Priority: 6**

**Reduction Amounts:**

Lottery Fund: \$45,000

**Total: \$45,000**

**Issue Description and Statement of Effects**

For the past several years, the Arizona Department of Gaming (“ADG”) has been allotted \$300,000 from Lottery for problem gambling purposes. Prior to 2003, Lottery had staff and resources devoted to problem gambling issues, including education and treatment. Proposition 202, passed in November, 2002, requires that a portion of Tribal contributions made to the Arizona Benefits Fund be used for problem gambling treatment, education and prevention. A.R.S. Section 5-601.02(H)(3)(A)(II). This requirement is also embedded in the Tribal-State Gaming Compact. Section 12(c). ADG and Lottery agreed that there should be a single agency responsible for administering problem gambling funds, and agreed to transfer staff and funding from Lottery to ADG. Consequently, ADG’s Office of Problem Gambling was created in 2003. Since then, ADG has been allocated money from Lottery every year to fulfill a portion of ADG’s problem gambling responsibilities under Proposition 202 and the Compact. Initially the funding from Lottery was at \$500,000 per year, but has been at \$300,000 for the last few fiscal years.

The allocation from Lottery has been used exclusively to fund treatment for problem gamblers and those affected by problem gambling. Based on the average cost of treatment per client during FY2008, a reduction of \$45,000 in the Lottery allocation would equate to loss of treatment to 36 clients. This would reduce ADG’s ability to meet its obligation to provide problem gambling treatment.