



September 3, 2019

The Honorable Douglas A. Ducey
Governor of Arizona
1700 W. Washington, 9th Floor
Phoenix, AZ 85007

The Honorable Karen Fann
President of the Senate
1700 West Washington
Phoenix, AZ 85007

The Honorable Russell Bowers
Speaker of the House of Representatives
1700 West Washington
Phoenix, AZ 85007

Dear Governor Ducey, President Fann, and Speaker Bowers:

In accordance with A.R.S. § 5-601.02(H)(1), which requires an annual report that includes "a statement of aggregate gross gaming revenue for all Indian tribes, aggregate revenues deposited in the Arizona Benefits Fund, including interest thereon, expenditures made from the Arizona Benefits Fund, and aggregate amounts contributed by all Indian tribes to cities, towns, and counties," the Arizona Department of Gaming ("ADG") is pleased to submit the following report on tribal contributions for Fiscal Year 2019.

Background

With the passage of Proposition 202, in November 2002, and the subsequent new Tribal-State Gaming Compacts, the gaming tribes in Arizona are to make tribal contributions to the State on a quarterly basis. Those contributions are based on each tribe's Class III Net Win¹. Eighty-eight percent (88%) of a Tribe's total annual contribution is paid to the Arizona Benefits Fund, which is administered by ADG. Pursuant to A.R.S. § 5-601.02(H)(3), monies in the Arizona Benefits Fund, including all investment earnings, are to be allocated as follows:

¹ According to A.R.S. § 5-601.02(l)(6)(b)(ii)(qq), the term "Class III Net Win" means "gross gaming revenue, which is the difference between gaming wins and losses, before deducting costs and expenses."

1. Eight million or nine percent (9%), whichever is greater, shall be used by ADG for reimbursement of administrative and regulatory expenses.
2. Two percent (2%) of the contributions made to the Arizona Benefits Fund are to be used by ADG to fund state and local programs, for the prevention and treatment of, and education concerning, problem gambling.

In accordance with the same statute, all other monies in the Arizona Benefits Fund, including all investment earnings that are not allocated to ADG as set forth above, are to be allocated in this manner:

- Fifty-six percent (56%) to be deposited in the Instructional Improvement Fund established by A.R.S. §15-979;
- Twenty-eight percent (28%) to be deposited in the Trauma and Emergency Services Fund established by A.R.S. § 36-2903.07;
- Eight percent (8%) to be deposited in the Arizona Wildlife Conservation Fund established by A.R.S. § 17-299; and
- Eight percent (8%) to be deposited in the Tourism Fund Account established by A.R.S. § 41-2306.

ADG promptly transfers these allocated monies to each of the foregoing funds on a quarterly basis.

In addition to the monies contributed into the Arizona Benefits Fund, the Indian tribes contribute twelve percent (12%) of their total annual contributions to cities, towns, and counties, pursuant to A.R.S. § 5-601.02(H)(4).

Report

The Arizona Department of Gaming reports the following for the period from July 1, 2018, to June 30, 2019:

- Aggregate Gross Gaming Revenue² - \$2,009,900,208
- Aggregate Revenues (Tribal contributions) deposited in the Arizona Benefits Fund, including interest thereon - \$98,152,088

² Gross gaming revenue is the difference between gaming wins and losses, before deducting costs and expenses. A.R.S. § 5-601.02(l)(6)(b)(ii)(qq).

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Expenditures from the Arizona Benefits Fund are as follows:

Problem Gambling	\$ 1,963,042
Arizona Department of Gaming	\$ 8,835,085
Instructional Improvement Fund	\$48,918,218
Trauma and Emergency Services	\$24,459,109
Arizona Wildlife Conservation Fund	\$ 6,988,317
Tourism Fund Account	<u>\$ 6,988,317</u>
Total	\$98,152,088

The aggregate amounts contributed by all Indian tribes to cities, towns, and counties are \$13,149,406.

Please let me know if you have any questions concerning this report.

Sincerely,



Ted Vogt
Director

cc: Katie Hobbs, Secretary of State
Dr. Ted Hale, Archives and Records Management and Capitol Museum
Holly Henley, State Librarian and Director of Library Services