



Arizona Department of Gaming

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Janice K. Brewer
Governor

Mark Brnovich
Director

September 21, 2009

The Honorable Janice K. Brewer, Governor
Office of the Governor
1700 West Washington, 9th Floor
Phoenix, Arizona 85007

Dear Governor Brewer:

In accordance with A.R.S. § 5-601.02(H)(1), the Arizona Department of Gaming (“ADG”) submits this report on tribal contributions for Fiscal Year 2009. That statute requires this report to include “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.”

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. Eight million or nine percent, whichever is greater, shall be used by the Department of Gaming for reimbursement of administrative and regulatory expenses.
2. Two percent of the contributions made to the Arizona Benefits Fund are to be used by the Department of Gaming 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 to be deposited in the Instructional Improvement Fund established by A.R.S. § 15-979;

¹ According to A.R.S. § 5-601.02(I)(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.”

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- Twenty-eight percent to be deposited in the Trauma and Emergency Services Fund established by A.R.S. § 36-2903.07;
- Eight percent to be deposited in the Arizona Wildlife Conservation Fund established by A.R.S. § 17-299; and
- Eight percent to be deposited in the Tourism Fund Account established by A.R.S. § 41-2306.

On a quarterly basis within a few days of receipt, ADG transfers these allocated monies to each of the foregoing funds.

In addition to the monies contributed into the Arizona Benefits Fund, the Indian Tribes will contribute twelve percent of their total annual contributions to cities, towns, and counties, pursuant to A.R.S. § 5-601.02(H)(4). These payments may be made annually based on the Tribe's fiscal year, rather than quarterly.

Report

ADG reports the following for the period July 1, 2008, to June 30, 2009:

Aggregate Gross Gaming Revenue²: \$1,828,218,614

Aggregate Revenues (Tribal contributions) deposited in the Arizona Benefits Fund, including interest thereon³: \$86,496,770

Expenditures from the Arizona Benefits Fund are as follows:

| | |
|------------------------------------|---------------------|
| Problem Gambling | \$ 1,729,935 |
| Arizona Department of Gaming | \$ 8,000,000 |
| Instructional Improvement Fund | \$42,989,427 |
| Trauma and Emergency Services | \$21,494,714 |
| Arizona Wildlife Conservation Fund | \$ 6,141,347 |
| Tourism Fund Account | <u>\$ 6,141,347</u> |
| Total | \$86,496,770 |

The aggregate amounts contributed by all Indian Tribes pursuant to A.R.S. § 5-601.02(H)(4) are \$11,037,954.

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

³ Interest income of \$32,332 was disbursed in June 2009 to the Instructional Improvement Fund, Trauma and Emergency Services Fund, Arizona Wildlife Conservation Fund, Tourism Fund Account, Problem Gambling and Arizona Department of Gaming pursuant to A.R.S. § 5-601.02(H)(3).

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On behalf of the Department of Gaming, I respectfully submit this report and welcome the opportunity to discuss any aspect of it with you or representatives from your office at your convenience.

Sincerely,

A handwritten signature in blue ink that reads "Mark Brnovich" followed by a long, wavy horizontal line.

Mark Brnovich
Director

cc: Ken Bennett, Secretary of State

GladysAnn Wells, Director Library, archives and public records