September 11, 2013

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

The Honorable Andy Biggs
President of the Senate
Capitol Complex
1700 West Washington
Phoenix, AZ 85007

The Honorable Andy Tobin
Speaker of the House
Capitol Complex
1700 West Washington
Phoenix, AZ 85007

Dear Governor Brewer, President Biggs, Speaker Tobin:

In accordance with A.R.S. § 5-601.02 (H)(1), the Arizona Department of Gaming ("ADG") submits this report on tribal contribution for Fiscal Year 2013. 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 Compact, 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 Win[1]. Eighty-eight percent (88%) of a Tribe's total annual is paid to the Arizona Benefits Fund, including all investment earnings, are to be allocated as follows:

1. Eight million or nine percent (9%), whichever is greater, shall be used by ADG for reimbursement or 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, treatment of and education concerning problem gambling.

[1] According to A.R.S. § 5-601(1)(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

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.

On a quarterly basis, ADG promptly 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 (12%) 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, 2012, to June 30, 2013:

- Aggregate Gross Gaming Revenue: $1,793,848,823
- Aggregate Revenues (tribal contributions) deposited in the Arizona Benefits Fund, $86,527,607

Expenditures from the Arizona Benefits Fund are as follows:

| | |
|---|---|
| Problem Gambling | $ 1,730,552 |
| Arizona Department of Gaming | $ 8,000,000 |
| Instructional Improvement Fund | $43,006,351 |
| Trauma and Emergency Services | $21,503,176 |
| Arizona Wildlife Conservation Fund | $ 6,143,764 |
| Tourism Fund Account | $ 6,143,764 |
| Total | $86,527,607 |

The aggregate amounts contributed by all Indian Tribes pursuant to A.R.S. § 5-601.02(H)(4) are $11,054,208.

On behalf of ADG, 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,

Mark Brnovich
Director