



Arizona Department of Gaming

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Janet Napolitano
Governor

Paul A. Bullis
Director

September 30, 2003

The Honorable Janet Napolitano, Governor
Office of the Governor
1700 West Washington, 9th Floor
Phoenix, Arizona 85007

Dear Governor Napolitano:

The Arizona Department of Gaming, in accordance with A.R.S. § 5-601.02, hereby submits its report on tribal contributions for the period Fiscal Year 2003. This statute requires the Department to report the aggregate gross gaming revenue for all Indian tribes; the aggregate revenues (tribal contributions) deposited in the Arizona benefits fund, including interest thereon; expenditures made from the Arizona benefits fund; and the aggregate amount of tribal contributions made by all Indian tribes to cities, towns, and counties pursuant to this statute.

Background

With the passage of Proposition 202 in November 2002, and the subsequent new tribal-state gaming compacts, the gaming tribes in Arizona are required to make tribal contributions on a quarterly basis. The contributions are based on each tribe's Class III Net Win. Eighty-eight percent (88%) of a tribe's total annual contribution is paid to the Arizona Benefits Fund, which is administered by the Department of Gaming. Monies in the Arizona Benefits Fund, including all investment earnings, are to be allocated pursuant to the terms set forth in A.R.S. § 5-601.02(H). They are 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, including expenses for
 - The development and access to an online electronic game management system otherwise referred to as the "joint monitoring system." This computer system will connect the Department to the online slot accounting systems in the gaming facilities for the six urban tribes. It will provide a more effective and efficient means for the Department to regulate the gaming devices and track revenues. The system will be phased in over three years.

- Law enforcement activities incurred by the Department.
- 2) Two percent of the contributions made to the Arizona Benefits Fund is 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.

Any of the above allocated monies that are not appropriated to the Department of Gaming will be deposited in the Instructional Improvement Fund established by A.R.S. § 15-978.

All other monies in the Arizona Benefits Fund, including all investment earnings that are not allocated to the Department of Gaming as set forth above, are to be allocated as follows:

- 1) Fifty-six percent to be deposited into the Instructional Improvement Fund established by A.R.S. § 15-978;
- 2) Twenty-eight percent to be deposited in the Trauma and Emergency Services Fund established by A.R.S. § 36-2903.02;
- 3) Eight percent to be deposited in the Arizona Wildlife Conservation Fund established by A.R.S. § 17-299; and
- 4) Eight percent to be deposited in the Tourism Fund Account established by A.R.S. § 41-2306.

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). The Department of Gaming will verify that these contributions were made.

Fiscal Year 2003

In accordance with the tribal-state compacts, the tribal contributions must be made within twenty-five (25) days after the last day of the tribe's fiscal quarter. The tribe's first quarterly contributions were due on July 25, 2003, which was after the close of the State's 2003 fiscal year. Therefore, there were no tribal contributions made to the Arizona Benefits Fund or to the cities, towns, and counties in Fiscal Year 2003. In addition, because the tribes were not required to report their gross gaming revenue before July 25, 2003, the Department is unable to report the tribes' aggregate gross gaming revenue for Fiscal Year 2003.

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Fiscal Year 2004

The first time that the Department will be able to report fully under A.R.S. § 5-601.02, is after the close of Fiscal Year 2004. The tribes have already begun making their contributions. The Department received the first quarterly payments on July 25, 2003. The monies were then promptly dispersed to the recipient funds as specified above. The second and third quarterly payments are due on October 25, 2003, and January 25, 2004, respectively. The final quarterly payments are due on April 25, 2004. The Department is posting on its website (www.gm.state.az.us) updated information regarding the most recent and the aggregate tribal contribution disbursements to the specified funds set forth above.

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 cursive script that reads "Paul A. Bullis". The signature is written in black ink and is positioned above the printed name and title.

Paul A. Bullis
Director