



# Arizona Department of Gaming

202 East Earll Drive, Suite 200  
Phoenix, Arizona 85012  
Tel 602.604.1801  
Fax 602.255.3883  
www.azgaming.gov

**Janet Napolitano**  
Governor

**Paul A. Bullis**  
Director

September 27, 2006

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

Dear Governor Napolitano:

The Arizona Department of Gaming, in accordance with A.R.S. § 5-601.02(H)(1), hereby submits its report on tribal contributions for the period Fiscal Year 2006. This statute requires that the report 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" 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 to make Tribal contributions to the State 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.
- 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.

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.

On a quarterly basis within a few days of receipt, the Department of Gaming transfers these allocated monies to the above 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.

Fiscal Year 2006

The Arizona Department of Gaming reports the following for the period July 1, 2005 to June 30, 2006:

- Aggregate Gross Gaming Revenue<sup>1</sup> - \$1,790,475,504
- Aggregate revenues (Tribal contributions) deposited in the Arizona Benefits Fund - \$81,087,909.11
- Interest income on money in Arizona Benefits Fund during Fiscal 2006<sup>2</sup> - \$11,211.67

Expenditures from the Arizona Benefits Fund are as follows:

|                                    |                        |
|------------------------------------|------------------------|
| Problem Gambling                   | \$ 1,621,758.14        |
| Arizona Department of Gaming       | \$ 8,000,000.00        |
| Instructional Improvement Fund     | \$40,021,044.55        |
| Trauma and Emergency Services Fund | \$20,010,522.28        |
| Arizona Wildlife Conservation Fund | \$ 5,717,292.07        |
| Tourism Fund Account               | <u>\$ 5,717,292.07</u> |
|                                    | \$81,087,909.11        |

- Aggregate amounts contributed by all Indian Tribes to Cities, Towns, and Counties - \$10,620,530.01

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<sup>1</sup> 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)(pp).

<sup>2</sup> Interest is earned on only the money allocated to the Department of Gaming and Problem Gambling. The Department of Gaming receives only \$2 million per quarter for reimbursement of its administrative and regulatory expenses for that quarter. The remaining monies that are received in the fund each quarter are transferred to the recipient funds within a few days of receipt. The interest income of \$11,211.67 was disbursed during Fiscal 2007 to the Instructional Improvement Fund, Trauma and Emergency Services Fund, Arizona Wildlife Conservation Fund, Tourism Fund Account, and Problem Gambling pursuant to A.R.S. § 5-601.02(H)(3).

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