
Arizona Gaming Revenues

February 13, 2024



Tribal Gaming Compact History

- Original compacts authorized by Prop 202 in 2002. The current Compacts were signed in 2021
- The Compacts establish, among other things:
 - Limits on the number of gaming machines and tables permitted at individual casinos as well as setting a limit on the number of tribal casinos in the state.
 - Distribution and use of tribal contributions paid to the state.
 - 2021 Compacts authorized new games that were not previously allowed, including roulette, craps and on-reservation event wagering.
- The current Compacts are set to expire in 2041

Tribal Gaming Net Revenue: \$2.9 Billion in '23

- Contribution Rate Applied to These Casino “Winnings”

- Gila River Indian Community, Salt River Indian Community, Ak Chin Indian Community, Tohono O’odham Nation, and Pascua Yaqui Tribe contribute a percentage of gaming revenue:
 - 1% of the first \$25 million
 - 3% of the next \$50 million
 - 6% of the next \$25 million
 - 8% of net win in excess of \$100 million
- All other tribes contribute 0.75% of net revenue
- The Compacts prohibit disclosure of individual casino contributions. As a result, only aggregate data is available.
- When the contribution rate is applied to the \$2.9 billion in net revenue, a total of \$172 million is distributed to the state and local governments.

The Distribution of Gaming Proceeds

- Determined by Formula in the Ballot Proposition

<u>Recipient</u>	(\$ in millions)
State Government Distribution (88% of Total Revenue)	\$153.8
Local Government Distribution (12% of Total Revenue)	<u>19.0</u>
Total	\$172.8

Allocation of State Government's Share

Department of Gaming

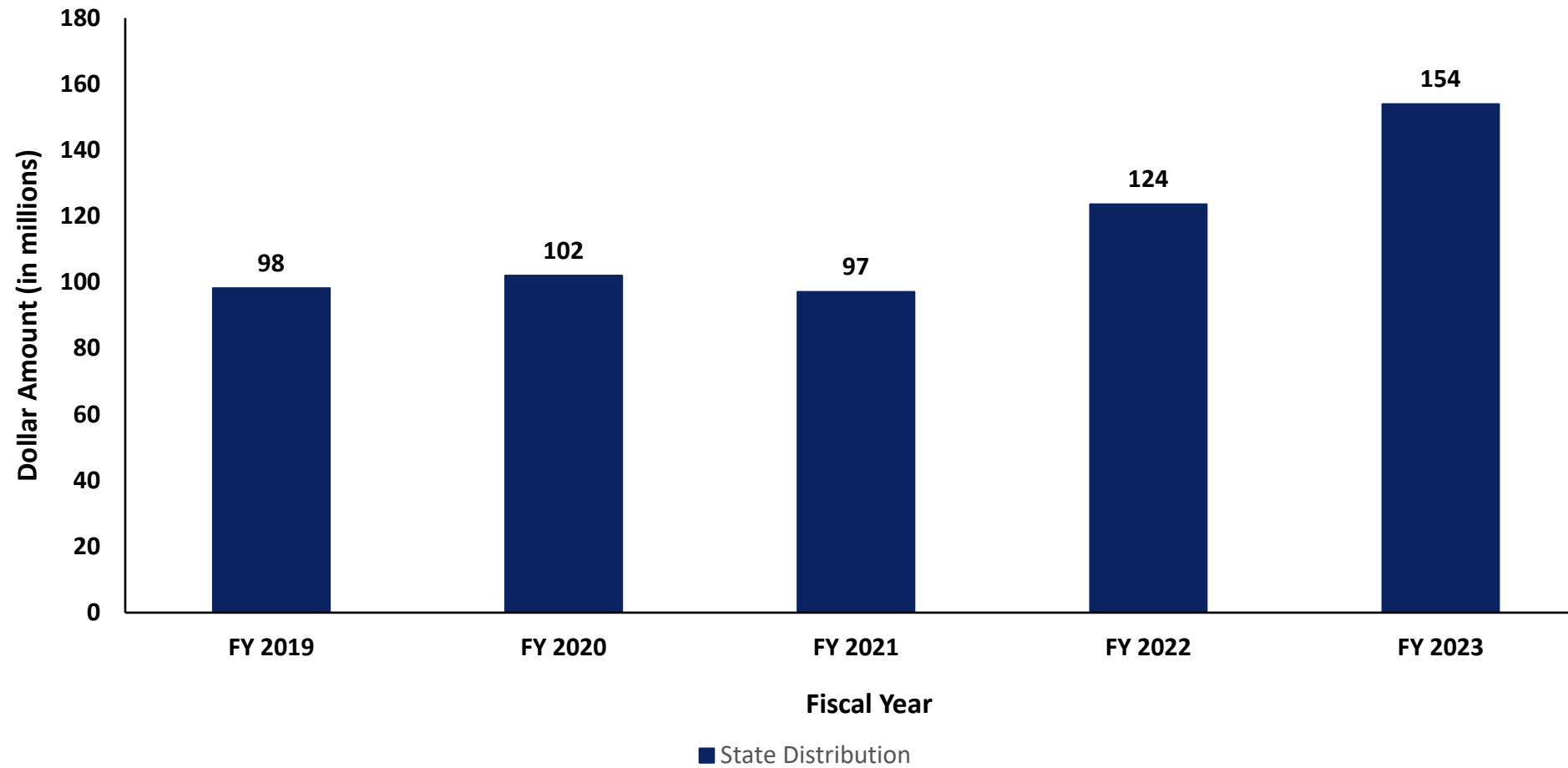
Department of Gaming Regulation (9% of State Revenue)	\$13.4
Department of Gaming Problem Gambling (2% of State Revenue)	<u>3.0</u>
Subtotal - Department of Gaming	\$16.4

Other Distributions

Instructional Improvement Fund (ADE) (56% of Remainder)	\$77.1
Trauma/Emergency Services Fund (AHCCCS) (28% of Remainder)	38.3
Arizona Wildlife Conservation (Game and Fish) (8% of Remainder)	11.0
Tourism Fund (8% of Remainder)	<u>11.0</u>
Subtotal - Other Distributions	\$137.4
Total State Distribution	\$153.8

Recent Tribal Contributions – State Share

- Significant Increase Following Signing of 2021 Compacts



Event Wagering

- Laws 2021, Chapter 234 authorized event wagering outside of Indian reservations
- There are currently 17 active event wagering operators (10 non-tribal and 7 tribal operators)
- 8% privilege fee is applied to retail bets and a 10% fee for mobile bets. In FY 2023, over 99% of bets were mobile.
- Operators pay initial license fee of \$750,000, followed by an annual renewal fee of \$150,000
- In addition to event wagering, the state also authorized fantasy sports contests, such as “daily fantasy sports”.

Event Wagering Revenue Data

- \$ in Millions

	FY 2022	FY 2023	FY 2024 (Est.)
1 Handle (Total Wagered)	\$4,463.9	\$6,148.8	\$6,721.2
2 Gross Net Win (Handle – Player winnings)	343.4	516.2	590.6
3 Federal Excise Tax (0.25% of Handle)	11.2	15.4	16.8
4 Free Bets (Tax deductible promotions)	184.7	178.7	197.0
5 Adjusted Net Win (Row 2 – Rows 3 & 4)	158.7	337.5	376.8
6 Privilege Fee Revenue (Row 5* Fee Rate)	15.8	33.7	37.3
7 License Revenue	14.9	2.9	2.7
8 Total (Row 6 + 7)	30.7	36.6	40.0
9 General Fund Revenue (Row 8 x 90%)	27.7	32.9	36.0

Tribal Compact Trust Fund

- Created By Laws 2021, Chapter 234

- 2021 Tribal Compact Trust Fund created to distribute inter-tribal payments pursuant to the 2021 Compacts.
- Revenues are fixed amounts: Gila River Indian Community (\$1 M/year); Salt River Pima-Maricopa Indian Community and Tohono O'odham Nation (\$2.75 M/year).
- Other tribes are listed by three “Beneficiary Category”, each with specific distribution formulas and limits.
 - Category 1 (one tribe) – Limited to \$2 million each year
 - Category 2 (five tribes) – Limited to \$500,000 per year in total
 - Category 3 (all other tribes) – Only if certain conditions are met

Tribal Compact Trust Fund

- Historical Revenues and Distributions

- FY 2022
 - Revenue (Tribal Payments + Fund Interest) = \$4,883,500
 - Disbursements to Tribes = \$0
 - Ending Balance = \$4,883,500
- FY 2023
 - Beginning Balance = \$4,883,500
 - Revenue (Tribal Payments + Fund Interest) = \$6,687,700
 - Disbursements to Tribes = \$2,500,000
 - Ending Balance = \$9,071,200