



# TRIBAL CONSULTATION FISCAL YEAR 2018 ANNUAL REPORT

July 1, 2017 – June 30, 2018

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## ADG OVERVIEW

The Arizona Department of Gaming (ADG) is dedicated to working with tribal governments in Arizona, which have entered into a gaming compact with the State, to fulfill its stated mission:

**“To protect the public, ensure compliance with the Arizona Tribal-State Gaming Compact and regulate the gaming industry.”**

ADG is responsible for carrying out the State's obligations under the Arizona Tribal-State Gaming Compact (Gaming Compact), which provides for dual regulation of Class III Indian gaming by ADG on behalf of the State, and by tribal regulators on behalf of the respective Tribes. ADG's interactions with Arizona's Tribes are therefore extensive.

The Gaming Compact and ADG's enabling legislation set forth regulatory responsibilities over Class III gaming activities. In connection with these duties, ADG monitors and enforces compliance with all Gaming Compact requirements for tribal gaming operations, to include those governing the nature, extent, and conduct of gaming activities; public health, safety, and welfare; and other operational requirements.

ADG's specific work with Arizona Tribes includes:

- Conducting daily on-site inspections of casino operations, and investigating suspected Gaming Compact violations and non-compliance issues.
- Inspecting gaming devices and electronic monitoring systems to ensure they are functioning properly, performing to manufacturer specifications, and in compliance with Arizona's strict regulatory standards.
- Reviewing all new poker and table games, existing game revisions, lotteries, promotions, tournaments, and new gaming technologies.
- Conducting annual on-site financial and procedural reviews of 24 tribal casinos in Arizona, including validating amounts of gaming revenues and ensuring fairness of authorized gaming activities.
- Ensuring only suitable individuals and companies are involved in Class III gaming activities through its Vendor and Employee State Certifications.

## CURRENT STATUS & REVENUE SHARING

As of May 2018, all federally recognized Tribes in Arizona have a Gaming Compact with the State of Arizona – 16 Arizona Tribes operate 24 Class III casinos (Appendix A) and six Tribes, which do not have casinos, have slot machine rights they may lease to Tribes with casinos using a transfer agreement.

Under the current Gaming Compacts, Tribes with casinos contribute 1 to 8 percent of their annual gaming revenues to the State and its cities, towns and counties. A Tribe's contribution is determined on a sliding scale based on the amount of the Tribe's gaming revenue each quarter. Through the auditing process specified by the Gaming Compact, ADG verifies accurate calculations, reporting, and payments by each Tribe to the State, cities, towns and counties.

At the close of the State's fiscal year 2018 (FY18), cumulative revenue sharing, since 2004, from Arizona Tribes to the State stood at \$1,237,390,704.04 (Appendix B). Arizona towns and cities also received \$163,773,774.91 cumulatively for the same period (Appendix C).

ADG is responsible for receiving and distributing the State's portion of all tribal gaming contributions to fund the following State programs, which benefit Arizona's residents, economy, wildlife, and environment:

- Education – instructional improvement for schools;
- Trauma and emergency care;
- Wildlife conservation;
- Arizona tourism;
- ADG operating costs;
- Problem gambling prevention, treatment, and education; and
- Community services and public safety programs for local governments.

## TRIBAL CONSULTATION OVERVIEW

ADG is committed to doing its part to keep communities safe and healthy, and Arizona's economy thriving. ADG has deployed the Arizona Management System (AMS) to identify process improvement opportunities; develop goals; and create and implement action plans; and, as a result, it has achieved tangible results. Gaming process improvements are benefiting the Tribes, individuals, businesses, and Arizona's community and families.

ADG reviewed, monitored, and tracked its progress using the AMS scorecard (Appendix D). Each metric on the FY18 scorecard ties to one of ADG's strategic plan goals or objectives.

### FY18 Highlights

#### *State Certifications for Casino Employees and Vendors*

For the thousands of active and prospective tribal casino employees and vendors, ADG continued to issue required state certifications faster and with less regulatory burden and cost.

- ADG streamlined the vendor application process by developing a single, combined tribal/state application, which eliminates the need to complete both a state application, and separate tribal applications, for each Tribe with which the vendor conducts business. ADG issued new vendor certifications within an average of 40 days for Class A/B, and within an average of 19 days for Class D. For renewal certifications, ADG issued Class A/B within an average of 16 days, and Class D within an average of 15 days. Class D renewal certifications – issued 45 percent faster over last fiscal year – showed the most improvement.
- ADG also instituted an electronic database workflow system for employee applications and reports, which has resulted in quicker, more efficient processing of new employee applications and reviews of completed reports. In FY18, the average number of days to issue certifications for new employee applications was 12 days – 31 percent faster than the prior fiscal year. Renewal applications also demonstrated a marked improvement of 40 percent, taking an average of 15 days. Further, 81 percent of Tribes are using electronic applications and supporting ADG's ongoing effort to go paperless, with two additional Tribes making the transition in FY18.
- To increase transparency for Tribes, lessen redundancy, and further expedite the vendor certification process, ADG:
  - Initiated development of a secure portal to share applications with the Tribes, which will allow them to retrieve vendor applications and investigative reports electronically.
  - Entered the planning stage to offer vendors online applications to increase overall efficiency, prevent incomplete applications, and eliminate paper and postage. Incomplete applications currently account for 76 percent of all applications received.

#### *Compliance*

- ADG received, reviewed, and approved all 1,757 Tribal Gaming Office submissions for new poker and table games, existing game revisions, lotteries, promotions, tournaments, and new gaming technologies – each within the seven days specified by the Gaming Compact – which allows Tribes to offer more player incentives, which helps them stay competitive in the market.
- During 672 visits to casinos, ADG certified and inspected 9,098 gaming devices, which included proposing and implementing an efficient certification and inspection plan for gaming devices affected by a significant remodel at Harrah's Ak-Chin Casino.

### *Enforcement*

As a law enforcement agency, ADG employs an experienced team of AZPOST-certified investigators to assist in responding to certain gambling-related complaints that may involve criminal activity. ADG agents work with tribal authorities to ensure that any criminal activity that may be taking place at gaming facilities is detected and prosecuted. ADG also works with local law enforcement to stop illicit, unregulated gambling off-reservation and prosecute involved individuals. Illegal gambling activity often attracts other types of crime to surrounding neighborhoods. Agents also assist tribal authorities with investigations and intelligence on suspected criminal activities in their jurisdictions, as requested.

- ADG opened 102 reports, closed 76, and conducted 80 various operations related to off-reservation illegal gambling activity. At the close of the fiscal year, ADG had about 26 cases open for investigation.

### *Training*

ADG developed and offers Arizona Tribes with in-depth training on 18 topics, including background investigations, casino math, surveillance, and reporting. ADG provides new and current tribal regulators and gaming facility operators with these in-depth gaming training programs through the Arizona Tribal Gaming Regulators Alliance (ATGRA), New Agent Training Academy, and in response to specific tribal training requests. New in FY18, ADG certified seven of the current training topics, qualifying them as law enforcement training credits. Law enforcement officers, both tribal and non-tribal, now are eligible to earn police officer training credits when participating in these courses.

- ADG trained 780 gaming employees at 22 sessions requested by eight Tribes, and more than 120 through ATGRA's four events.

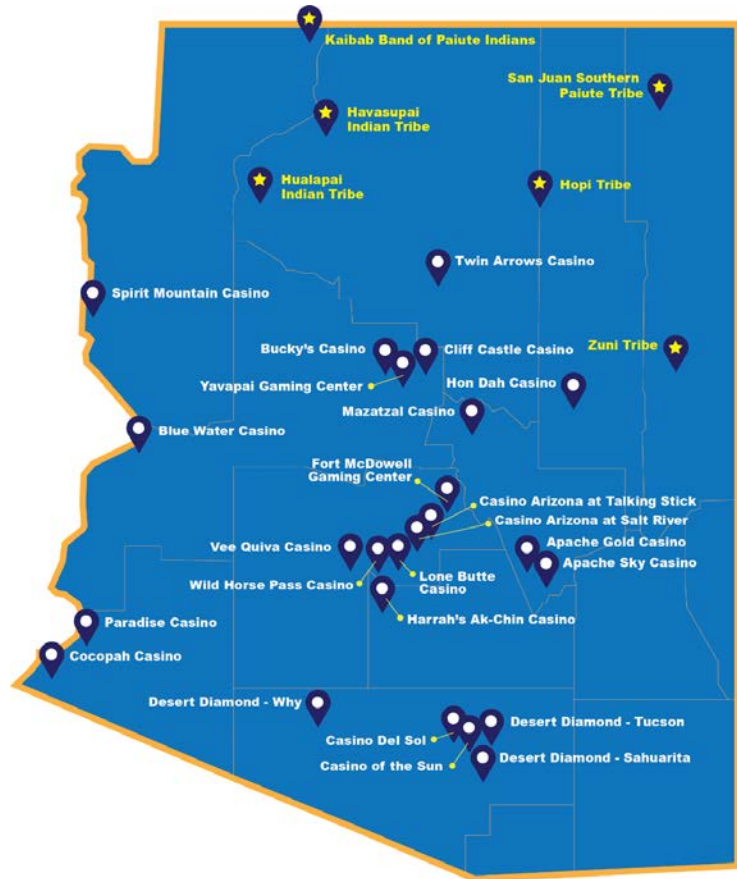
For questions or more information, please contact:

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# APPENDIX A – Regulated Casinos

## Compacted Tribes with Casinos

- Ak-Chin Indian Community
  - Harrah's Ak-Chin Casino
- Cocopah Indian Tribe
  - Cocopah Casino
- Colorado River Indian Tribes
  - Blue Water Casino
- Fort McDowell Yavapai Nation
  - Fort McDowell Gaming Center
- Fort Mojave Indian Tribe
  - Spirit Mountain Casino
- Gila River Indian Community
  - Wild Horse Pass, Vee Quiva & Lone Butte Casinos
- Navajo Nation
  - Twin Arrows Casino
- Pascua Yaqui Tribe of Arizona
  - Casino of the Sun & Casino Del Sol
- Quechan Indian Tribe
  - Paradise Casino
- Salt River Pima-Maricopa Indian Community
  - Casino Arizona & Talking Stick Resort
- San Carlos Apache Tribe
  - Apache Gold Casino & Apache Sky Casino
- Tohono O'odham Nation
  - Desert Diamond Casinos (Tucson, Sahaurita & Why)
- Tonto Apache Tribe
  - Mazatzal Casino
- White Mountain Apache Tribe
  - Hon Dah Casino
- Yavapai-Apache Nation
  - Cliff Castle Casino
- Yavapai-Prescott Indian Tribe
  - Yavapai Gaming Center & Bucky's Casino



## Compacted Tribes without Casinos

- Havasupai Indian Tribe
- Hopi Tribe
- Hualapai Indian Tribe
- Kaibab Band of Paiute Indians
- San Juan Southern Paiute Indian Tribe
- Zuni Tribe

# APPENDIX B – Cumulative Revenue Sharing

Arizona Department of Gaming

TRIBAL CONTRIBUTIONS FROM GAMING REVENUE TO THE STATE, CITIES, TOWNS & COUNTIES - through the States Fiscal Year Ending June 30, 2018

Tribal contributions to the State (Arizona Benefits Fund):

Distributions from the AZ Benefits Fund:	State Fiscal Year 2004	State Fiscal Year 2005	State Fiscal Year 2006	State Fiscal Year 2007	State Fiscal Year 2008	State Fiscal Year 2009	State Fiscal Year 2010	State Fiscal Year 2011	State Fiscal Year 2012	State Fiscal Year 2013	State Fiscal Year 2014	State Fiscal Year 2015	State Fiscal Year 2016	State Fiscal Year 2017	State Fiscal Year 2018	Cumulative to AZ Benefits Fund
Problem Gambling	759,140.26	1,307,706.65	1,621,758.14	1,844,482.57	1,920,512.03	1,729,935.00	1,557,862.00	1,576,805.00	1,698,738.00	1,730,552.00	1,734,570.00	1,768,497.00	1,815,051.00	1,796,785.00	1,885,418.00	24,747,812.65
Arizona Department of Gaming	8,000,000.00	8,000,000.00	8,000,000.00	8,000,000.00	8,642,304.17	8,000,000.00	8,000,000.00	8,000,000.00	8,000,000.00	8,000,000.00	8,000,000.00	8,000,000.00	8,167,732.00	8,083,781.00	8,484,380.00	121,378,197.17
Instructional Improvement Fund	16,350,808.74	31,403,470.58	40,021,044.55	46,132,602.21	47,859,159.96	42,989,427.00	38,267,751.00	38,787,522.00	42,133,367.00	43,006,351.00	43,116,596.00	44,047,559.00	45,231,085.00	44,776,871.00	46,984,612.00	611,108,227.04
Trauma & Emergency Services Fund	8,175,404.37	15,701,735.30	20,010,522.28	23,066,301.13	23,929,579.98	21,494,714.00	19,133,875.00	19,393,761.00	21,066,684.00	21,503,176.00	21,558,298.00	22,023,780.00	22,615,543.00	22,388,436.00	23,492,306.00	305,554,116.06
AZ Wildlife Conservation Fund	2,335,829.82	4,486,210.08	5,717,292.07	6,590,371.74	6,837,022.85	6,141,347.00	5,466,822.00	5,541,074.00	6,019,052.00	6,143,764.00	6,159,514.00	6,292,509.00	6,461,584.00	6,396,696.00	6,712,087.00	87,301,175.56
State Tourism Fund	2,335,829.82	4,486,210.08	5,717,292.07	6,590,371.74	6,837,022.85	6,141,347.00	5,466,822.00	5,541,074.00	6,019,052.00	6,143,764.00	6,159,514.00	6,292,509.00	6,461,584.00	6,396,696.00	6,712,087.00	87,301,175.56
<b>Contributions to AZ Benefits Fund</b>	<b>\$ 37,957,013.01</b>	<b>\$ 65,385,332.69</b>	<b>\$ 81,087,909.11</b>	<b>\$ 92,224,129.39</b>	<b>\$ 96,025,601.84</b>	<b>\$ 86,496,770.00</b>	<b>\$ 77,893,132.00</b>	<b>\$ 78,840,236.00</b>	<b>\$ 84,936,893.00</b>	<b>\$ 86,527,607.00</b>	<b>\$ 86,728,492.00</b>	<b>\$ 88,424,854.00</b>	<b>\$ 90,752,579.00</b>	<b>\$ 89,839,265.00</b>	<b>\$ 94,270,890.00</b>	<b>\$ 1,237,390,704.04</b>

Tribal contributions to cities, towns and counties of the tribes' choosing:

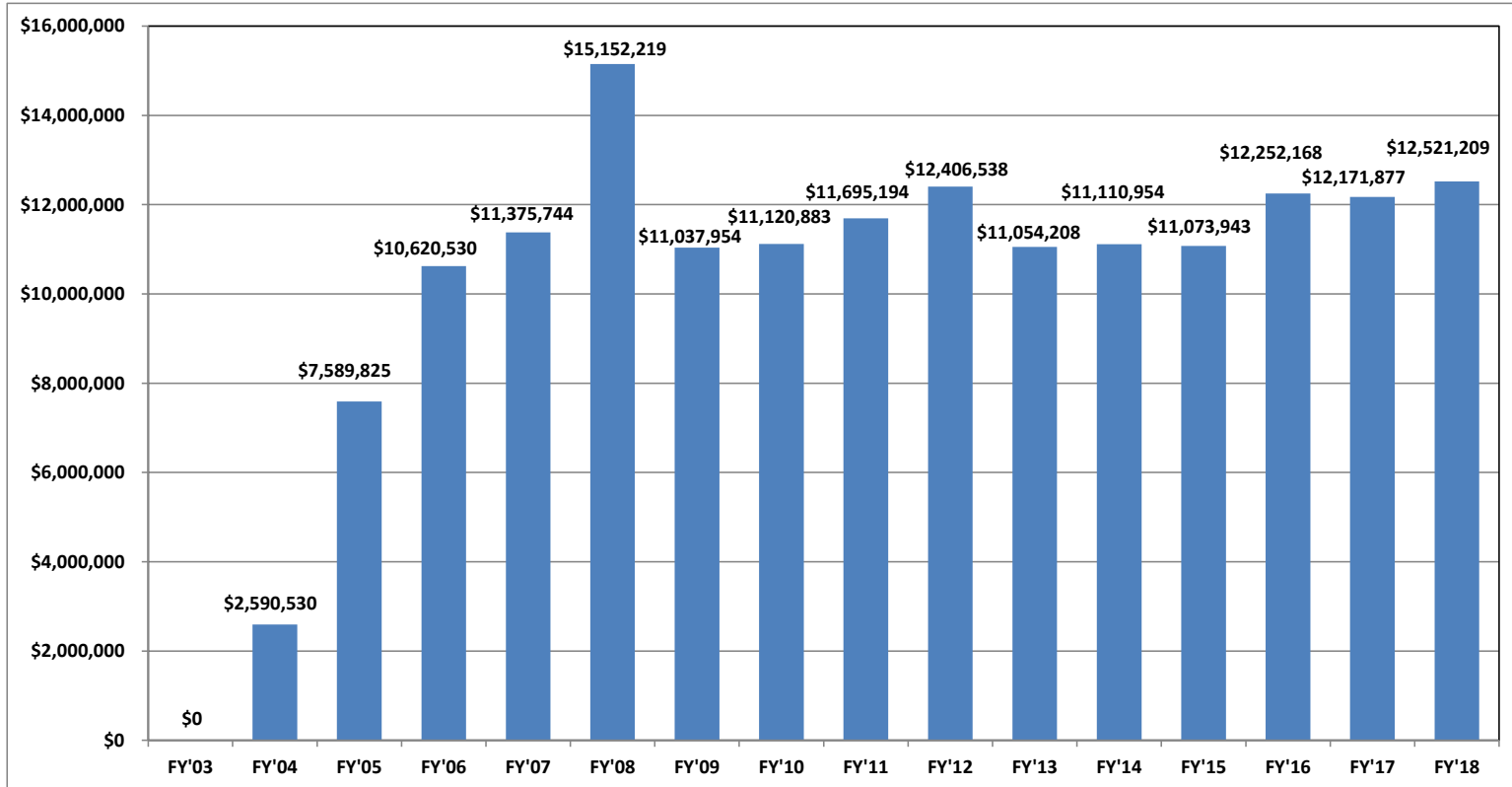
Tribal contributions to Cities, Towns and Counties:	State Fiscal Year 2004	State Fiscal Year 2005	State Fiscal Year 2006	State Fiscal Year 2007	State Fiscal Year 2008	State Fiscal Year 2009	State Fiscal Year 2010	State Fiscal Year 2011	State Fiscal Year 2012	State Fiscal Year 2013	State Fiscal Year 2014	State Fiscal Year 2015	State Fiscal Year 2016	State Fiscal Year 2017	State Fiscal Year 2018	Cumulative to Cities, Towns & Counties
	\$ 2,590,530.00	\$ 7,589,824.82	\$ 10,620,530.01	\$ 11,375,743.78	\$ 15,152,219.30	\$ 11,037,954.00	\$ 11,120,883.00	\$ 11,695,194.00	\$ 12,406,538.00	\$ 11,054,208.00	\$ 11,110,954.00	\$ 11,073,942.00	\$ 12,252,168.00	\$ 12,171,877.00	\$ 12,521,209.00	\$ 163,773,774.91

TOTAL TRIBAL CONTRIBUTIONS TO THE STATE, CITIES, TOWNS & COUNTIES SINCE THE ARIZONA TRIBAL-STATE GAMING COMPACT WAS SIGNED:

TOTAL TRIBAL CONTRIBUTIONS	FINAL State Fiscal Year 2004	FINAL State Fiscal Year 2005	FINAL State Fiscal Year 2006	FINAL State Fiscal Year 2007	FINAL State Fiscal Year 2008	FINAL State Fiscal Year 2009	FINAL State Fiscal Year 2010	State Fiscal Year 2011	State Fiscal Year 2012	State Fiscal Year 2013	State Fiscal Year 2014	State Fiscal Year 2015	State Fiscal Year 2016	State Fiscal Year 2017	State Fiscal Year 2018	TOTAL TRIBAL CONTRIBUTIONS CUMULATIVE
	\$ 40,547,543.01	\$ 72,975,157.51	\$ 91,708,439.12	\$ 103,599,873.17	\$ 111,177,821.14	\$ 97,534,724.00	\$ 89,014,015.00	\$ 90,535,430.00	\$ 97,343,431.00	\$ 97,581,815.00	\$ 97,839,446.00	\$ 99,498,796.00	\$ 103,004,747.00	\$ 102,011,142.00	\$ 106,792,099.00	\$ 1,401,164,478.95

# Appendix C

## Arizona Department of Gaming 12% Distributions to Cities, Towns and Counties (Reported and Confirmed) State's FY 2003 through 2018



<u>Change from prior year:</u>			
FY'05	193.0%	FY'10	0.8%
FY'06	39.9%	FY'11	5.2%
FY'07	7.1%	FY'12	6.1%
FY'08	33.2%	FY'13	-10.9%
FY'09	-27.2%	FY'14	0.5%
		FY'15	-0.3%
		FY'16	10.6%
		FY'17	-0.7%
		FY'18	2.9%

