



ACM Legislative Update 4.3.08

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Proudly Serving Charitable Gambling Organizations Throughout Minnesota

Charitable Gambling Impact Study Released

The following provision was included in **Chapter 82 - SF 238, the Freedom to Breathe Act of 2007** which passed the Minnesota Legislature last year:

Sec. 12. **CHARITABLE GAMBLING IMPACT STUDY.** The Gambling Control Board, in cooperation with the commissioner of revenue, shall study the impact of a statewide smoking ban in public places on lawful gambling. The board shall provide a summary report with recommendations to the governor and the appropriate committees of the legislature prior to March 31, 2008.

The Charitable Gambling Impact Study was provided to the Governor and Minnesota Legislature on

Friday, March 28, 2008. On Monday, March 31, 2008 Tom Barrett the Director of the Gambling Control Board presented the Charitable Gambling Impact Study to the Senate State and Local Government Operations and Oversight Committee. It is hoped the House Commerce and Labor Committee will hear the study in the near future.

A copy of the Charitable Gambling Impact Study is printed on the next 21 pages. Several newspaper articles about the Charitable Gambling Impact Study are printed on the last 2 pages of this ACM Legislative Update. The GCB smoking ban study may be viewed at:

<http://www.gcb.state.mn.us/What's%20New.htm>

2008 Gambling Bill Introductions

Listed below are the 2008 gambling bills introduced since the 3.14.08 ACM Legislative Update (thru 4.1.08):

Senate File (SF) 3727 (Skoe) & House File (HF) 3766 (Howes; Rukavina; Otremba; Emmer; Solberg; Erickson; Olson) - Smoking ban changes made by adding definitions and an exception and requiring posted signs.

SF 3779 (Day) & HF 4118 (Buesgens) - State-operated casino allowed private contractor management, State Lottery duties expanded, net proceed deposit provided for state and educational infrastructure capital improvement fund, and constitutional amendment proposed.

SF 3784 (Dille) & HF 4104 (Shimanski; Brod; Severson; Koenen; Otremba; Urdahl; Haws) - Lawful gambling lawful purpose expenditures definition modification.

SF 3805 (Ingebrigtsen) & HF 4086 (Erickson) - Video

lottery terminals authorized, revenue use specified, lawful gambling taxes modified, and conforming changes provided.

To view all 2007-2008 Minnesota House Gambling Bills (39 as of 4/1/08) go to the web address below (then bookmark this page):

www.revisor.leg.state.mn.us/revisor/pages/search_status/status_results.php?body=House&search=topic&session=0852007&topic%5B%5D=%27Gambling%27&submit_topic=GO

To view all 2007-2008 Minnesota Senate Gambling Bills (41 as of 4/1/08) go to the web address below (then bookmark this page):

www.revisor.leg.state.mn.us/revisor/pages/search_status/status_results.php?body=Senate&search=topic&session=0852007&topic%5B%5D=%27Gambling%27&submit_topic=GO

Reprinted from 4/1/08 Star Tribune

Smoking ban has apparently cut into revenue from charitable gambling

• The statewide ban, which began late last year, is tied to a significant decline in bar pulltab and bingo receipts, according to a study by the State Gambling Control Board.

By MARK BRUNSWICK, Star Tribune
mbrunswick@startribune.com

Last update: March 31, 2008 - 11:45 PM

Affirming what American Legion hall operators and mom-and-pop bar owners had warned, a new report shows that the statewide ban on smoking enacted last year appears to have cut into charitable gambling revenues from bar game pulltabs and bingo.

Gross receipts from charitable gambling were down 12.8 percent in the last three months of 2007, which correlates with when the statewide smoking ban took effect. Even taking into account a weakening economy, the ban is likely to be responsible for a decline in gross receipts of 7.5 percent to 8 percent, or a loss equal to \$95 million to \$105 million a year, according to the report.

The overall 12.8 percent drop represents the largest decline in receipts since lawful gambling was first regulated in the state in 1985, according to the report released Monday by the State Gambling Control Board, which regulates the industry.

As the debate about a statewide smoking ban intensified before its passage last year, supporters of charitable gambling warned that banning smoking, particularly in bars and restaurants, would have a disastrous effect on charitable gambling, which was already struggling.

The new report shows that towns close to states that have not enacted a smoking ban appear to have been more affected. Sites near tribal casinos, where smoking can be permitted, have seen receipts decline more than

the state average for several years, an apparent trend that began before the ban.

Funding for sports, vets

Charitable gambling plays a unique part in the fabric of Minnesota life. The state's charitable gambling industry is by far the largest in the nation, with \$1.2 billion in gross receipts a year. Receipts from it fund such nonprofit organizations as youth sports, veterans groups and volunteer firefighting organizations. There are more than 1,400 licensed charity organizations and 3,000 locations where charitable gambling takes place.

Charitable gambling officials predict revenue declines of 16 percent to 18 percent through this year. Anticipating the effect, the industry has been pushing for several pieces of legislation that would give them more flexibility in their operations.

"We're very cognizant of the fact that the smoking ban is not going to go away," said King Wilson, executive director of Allied Charities of Minnesota. "What we as an industry need to do is look at whether it's reinvigorating ourselves, retooling ourselves, perhaps reinventing ourselves so that we can survive in the environment that's upon us today."

Wilson said that many organizations terminated their licenses because of funding problems last year and that the number is likely to increase this year.

Advocates of the smoking ban did not dispute the report's numbers, but challenged the conclusions.

"Our argument would be, you evaluate the smoking ban by what it was tasked to do and that is improve people's health, and we have recent studies that already indicate that it is doing that," said Mike Maguire, a spokesman for the American Cancer Society, which pushed for the ban.

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Reprinted from 4/1/08 Pioneer Press

Charitable gaming receipts drop

Study blames decrease in part on statewide smoking ban

By Dennis Lien dlien@pioneerpress.com
Article Last Updated: 03/31/2008 11:44:20 PM CDT

The statewide smoking ban that took effect last fall in Minnesota appears to have taken a bite out of charitable gambling receipts, a new report says.

Income from pull-tab sales and other gambling activities that can be tied directly to the ban was down 7.5 percent to 8 percent in the last three months of 2007, according to the report by the state Gambling Control Board. It said the total decline was much steeper —

(**Gaming Receipts** continued on next page)

(**Gaming Receipts** continued from previous page)

almost 13 percent — but much of that can be explained by other factors, such as a steady 2.5 percent annual decline in receipts in recent years, a weakening economy and higher gasoline prices.

“With only the first three months, we still show some obvious patterns of activity,” said Tom Barrett, executive director of the board regulating the charitable gambling industry.

More than 1,400 nonprofit organizations — almost a third of them veterans groups — earn income from registered charitable gambling activities at 3,000 bars, restaurants and private clubs. When the Legislature banned smoking in public places effective Oct. 1, it also required a study of the financial effects on charitable gambling, a \$1.2 billion industry in Minnesota.

The decline in receipts — \$40 million for the three months — is the largest since regulated gambling was legalized in Minnesota in 1985. If the trend continues, Barrett said, annual receipts tied to the ban could drop by as much as \$100 million.

Because gambling expenses continue even as receipts drop, the report said, the net decline for those nonprofit groups actually would be much higher — 18 percent to 23 percent.

In St. Paul, charitable gambling receipts are down by almost half since the ban was enacted March 31, 2006.

Mike Maguire, a spokesman for the American Cancer Society, questioned the report, saying it indicates the decline could have begun as early as two months before the ban started.

“It really is consistent with an already existing trend,” Maguire said.

Barrett, however, discounted that contention, saying inconsistencies in local smoking bans explain any trend in the two months before Oct. 1. Receipts were up 2.3 percent in August but then down 2 percent in September, 9.7 percent in October, 11.7 percent in November and 16.8 percent in December.

Barrett said January’s preliminary data are similar to December’s.

Noting that charitable gambling interests had predicted the ban would hurt the industry, King Wilson, executive director of Allied Charities of Minnesota, said he wasn’t surprised by the report.

The industry in Minnesota has changed dramatically over the past two decades and now must decide whether to “reinvigorate, retool or reinvent” itself, he said.

With the lower incomes, he said, the Legislature also should look into whether groups should be taxed according to their net incomes instead of their gross receipts.

“As our sales are declining, we can’t necessarily drop our expenses,” he said.

The report recommended the Legislature consider additional forms of charitable gambling and consider raising expense limits for groups.

The report, based on monthly tax filings by organizations, said receipts dropped more (13.9 percent) in places where there had been no local smoking ban than they did (6.3 percent) in areas where a strong ban had been in effect a year earlier.



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