Minnesota Gambling Control Board

Suite 300 South
1711 W. County Road B
Roseville, MN 55113
651-639-4000

Annual Report
of the
Minnesota Gambling Control Board

Fiscal Year
2009

July 1, 2008 - June 30, 2009

Message from the Board Chair and Executive Director

December 31, 2009

The mission of the Gambling Control Board (Board) is to regulate lawful gambling in Minnesota, so that citizens are assured of the integrity of the industry and nonprofit organizations may continue to raise funds for charitable contributions.

In 2009 the Board took bold and innovative steps to help reduce regulatory paperwork for licensed organizations. The Board requested and received legislative changes for:

- the authority to establish perpetual terms for organization licenses, gambling manager licenses, and premises permits, thereby eliminating the license and permit renewal process;
- the elimination of the allowable expense calculation requirement and replacing it with a new lawful purpose rating system to help organizations focus on charitable contributions;
- the elimination of the restriction of commercialization in lawful gambling, thereby allowing organizations to seek paid commercial advertising income in conjunction with its lawful gambling activities and to reduce expenses; and
- greater flexibility for repairing and maintaining owned buildings without board approval within certain guidelines and limits.

The Board continues to provide education, outreach, and guidance to the lawful gambling industry through its ongoing programs, including:

- compliance reviews and site inspections,
- issuing perpetual licenses and permits for licensed organizations,
- continuing education classes throughout the state,
- speaking engagements at state-level conventions,
- gambling manager seminars,
- an individualized mentoring program,
- a comprehensive web site, and
- a bi-monthly newsletter.

This annual report provides information for the fiscal year beginning July 1, 2008, through June 30, 2009. Portions of the data were obtained from the Minnesota Department of Revenue.

Respectfully submitted,

William Goede, Chair

Tom Barrett, Executive Director

Gambling Control Board
Members and Staff

The Board has the power to issue, suspend, and revoke licenses. Under Minnesota Statutes, section 349.11, the Board's purpose is "to regulate lawful gambling, to insure the integrity of operations, and to provide for the use of net profits only for lawful purposes."

The Gambling Control Board is comprised of seven citizens. Five of the members are appointed by the Governor, and the Attorney General and Commissioner of Public Safety each appoint one member.

Members	City	Appointed by	Term
Peggy Moon, Chair	St. Joseph	Governor	7/05 to 6/09
Shirleen Hoffman, Vice-Chair	Delano	Governor	7/06 to 6/10
Gerald Dexter, Secretary	White Bear Lake	Governor	7/06 to 6/10
William Goede	Plainview	Governor	6/08 to 6/12
Norm Pint	New Prague	Public Safety	7/07 to 6/11
Bill Gillespie	St. Paul	Attorney General	9/07 to 6/11
Christine Long	Faribault	Governor	7/08 to 6/12

Executive Director
Tom Barrett

Board Counsel
Melissa Eberhart, Assistant Attorney General

FY 2009 expenditures: $2,832,000
Board staff: 33 (FTE 31.1)

Statement of Cash Receipts and Industry Overview

Cash Receipts

	Fee	Total Collected
Manufacturer license	$9,000	$ 72,000
Game approval/testing	25/100	165,400
Distributor license	6,000	78,000
Distributor salesperson license	100	9,600
Linked bingo game provider license	5,000	5,000
Organization license	350	405,650
Waivers of the organization license fee were granted to 16 organizations that expected to receive less than $100,000 in gross annual receipts...$5,600 waived.		
Gambling manager license	100	129,100
Premises permit	150	435,300
Regulatory fee [0.1% (.001) of gross receipts		1,050,068
Exempt Permit (up to 5 days of activity, total prizes valued at $50,000 or less)	50	153,350
Total dedicated fees		**$2,503,468**
Civil penalties and fines	vary	60,650
State gambling taxes, after refunds (collected by Department of Revenue)		37,844,000
(Civil penalties, fines, and taxes paid to state's general fund)		
Total taxes, fees, and penalties		**$40,408,118**

Industry Overview

During fiscal year 2009, the Minnesota lawful gambling industry consisted of:

Licensees and Activities		Description
9	Manufacturers	Sold product to licensed distributors. [In FY09, 4,206 new games and product approved.]
13	Distributors	Sold product to licensed lawful gambling organizations.
93	Distributor salespersons	Persons licensed to sell gambling equipment to nonprofit organizations.
1	Linked bingo game providers	Providing linked bingo games to licensed organizations.
1,302	Nonprofit organizations	Nonprofit organizations licensed to conduct gambling at permitted premises.

TYPE OF ORGANIZATION	Number	Percent
Fraternal - Eagles & Auxiliary, Moose, Elks, Knights of Columbus	243	19%
Veterans - American Legion, VFW, & Auxiliaries	369	28%
Religious - Church/Cathedral	36	3%
Other nonprofit - Fire relief, hockey, Jaycees, Lions, baseball, athletic, rod & gun, snowmobile, business/chamber/development, sportsman, community, other	654	50%
TOTAL	**1,302**	**100%**

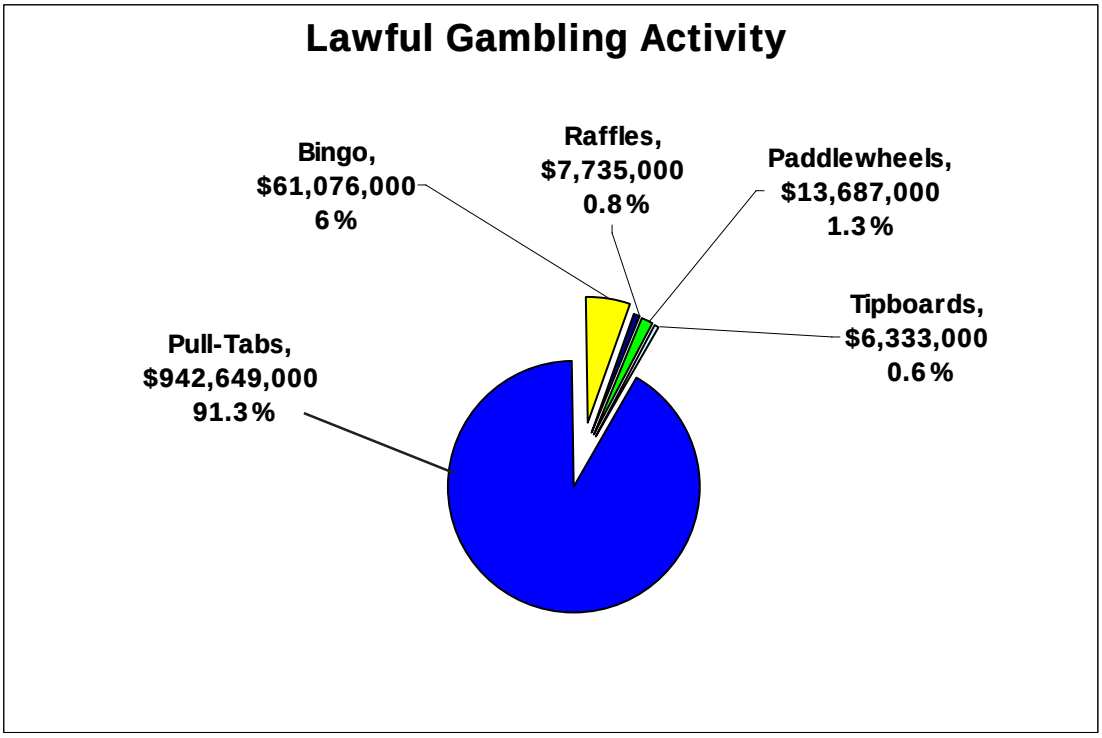
1,369	Gambling managers	Members of licensed nonprofit organizations responsible for supervising organizations' lawful gambling operations.
3,229	Charitable gambling sites	Locations in Minnesota where lawful gambling was approved.
2,155	Exempt organizations	Nonprofit organizations that applied for authorization to conduct limited gambling of up to five days per calendar year conducted 2,966 activities, with gross receipts of $33,689,000.

Exempt activity	Gross receipts	Expense	Profit
Raffle	$31,317,000	$13,231,000	$18,086,000
Pull-tabs	1,044,000	764,000	280,000
Bingo	1,058,000	463,000	595,000
Paddlewheels	193,000	90,000	103,000
Tipboards	77,000	47,000	30,000
TOTAL	**$33,689,000**	**$14,595,000**	**$19,094,000**

318	Excluded organizations	Nonprofit organizations that applied for authorizations to conduct 509 excluded bingo activiities. Excluded bingo is conducted for four or fewer events, or conducted up to 12 consecutive days in conjunction with a county fair, civic celebration, or state fair.

Fiscal Year Summary

ACTIVITY	Gross Receipts (sales) FY 2009	% Change from FY08	Prizes Paid FY 2009	Net Receipts (gross less prizes) FY 2009	% Change from FY08	% Payout FY09	% Payout FY08
Pull-tabs	942,649,000	-10.4	777,784,000	164,865,000	- 10.6	82.5	82.5
Bingo	61,076,000	-2.1	46,472,000	14,604,000	3.1	76.1	77.3
Paddlewheels	13,687,000	-6.5	10,051,000	3,636,000	-4.0	73.4	74.1
Raffles	7,735,000	15.1	3,677,000	4,058,000	20.2	47.5	49.8
Tipboards	6,333,000	14.7	4,523,000	1,810,000	7.2	71.4	69.4
Interest income	219,000	-36.9	- 0 -	219,000	-36.9		
TOTALS	**$1,031,699,000**	**-9.6**	**$ 842,507,000**	**$ 189,192,000**	**-9.0**	**81.7**	**81.8**



Ten-Year Comparison of Receipts and Prizes Paid
with percent change from previous fiscal year

FY	Gross Receipts		Prizes Paid		Net Receipts	
09	$1,031,699,000	-9.6%	$842,507,000	-9.8%	$189,192,000	-9.0%
08	1,141,443,000	-9.8%	933,591,000	-9.7%	207,852,000	-10.3%
07	1,265,707,000	-3.3%	1,033,863,000	-3.3%	231,844,000	-3.0%
06	1,308,264,000	-4.8%	1,069,325,000	-4.8%	238,939,000	-4.8%
05	1,373,783,000	-3.1%	1,122,783,000	-3.3%	251,000,000	-2.5%
04	1,418,109,000	0.0%	1,160,753,000	-0.3%	257,356,000	1.5%
03	1,418,200,000	-1.2%	1,164,591,000	-1.0%	253,609,000	-2.1%
02	1,435,426,000	-0.1%	1,176,268,000	0.2%	259,158,000	-1.1%
01	1,436,603,000	-4.2%	1,174,490,000	-4.2%	262,113,000	-4.4%
00	1,500,042,000	3.5%	1,225,813,000	3.8%	274,229,000	2.2%

Lawful Purpose Expenditures

Proceeds from lawful gambling may be used for lawful purpose expenditures (contributions) in the following categories.

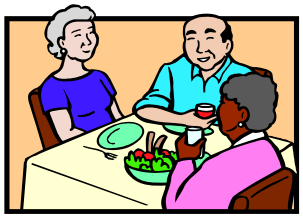
Youth activities

Wildlife management projects, and grooming and maintaining snowmobile and all-terrain vehicle trails approved by the MN Department of Natural Resources

Scholarship funds, and private or public nonprofit educational institutions

Recognition of military service

Repair and maintenance projects of organization-owned buildings



Congregate dining, nutritional programs, or food shelves for the disabled or persons age 62 and older

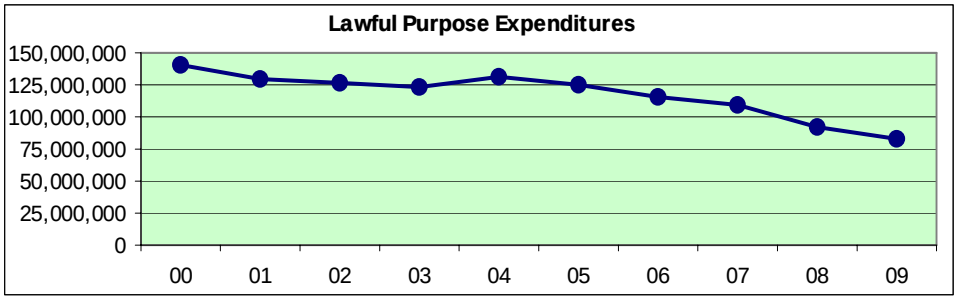
Programs and projects by the United States, the state of Minnesota, or local units of government

Other Lawful Purpose Expenditure Categories

- Community arts organizations or program sponsorships
- Religious purposes
- Donations to or expenditures by nonprofit organizations designated by the Internal Revenue Service as 501(c)(3) organizations or 501(c)(4) festival organizations
- Relieving effects of poverty, homelessness, or disabilities
- Treatment for compulsive gambling
- Recognition of humanitarian service
- Real estate taxes
- State, local, and federal gambling taxes; state lawful gambling license & regulatory fees
- Specific utility costs by licensed veterans and fraternal organizations
- Membership events by licensed veterans organizations

Ten-Year Comparison

09	$ 82,247,000
08	$ 92,311,000
07	$110,144,000
06	$116,011,000
05	$124,974,000
04	$130,944,000
03	$123,138,000
02	$126,514,000
01	$129,153,000
00	$140,841,000



Lawful Purpose Expenditures

	FY 2009	FY 2008	% Change
Charitable Contributions	**$ 44,403,000**	**$ 49,620,000**	**-10.5**
State Gambling Taxes Paid	**37,844,000**	**42,691,000**	**-11.4**
Gross receipts state tax	16,027,000	17,702,000	-9.5
Net receipts state tax	1,912,000	1,835,000	4.2
Combined receipts state tax	19,905,000	23,154,000	-14.0
TOTALS	**$ 82,247,000**	**$ 92,311,000**	**-10.9**

State Gambling Taxes

	Taxes paid	Refund	Net taxes (after refund)	Net taxes as a % of gross receipts
09	$44,761,000	$6,917,000	$37,844,000	3.67%
08	50,019,000	7,328,000	42,691,000	3.74%
07	56,461,000	7,477,000	48,984,000	3.87%
06	58,519,000	7,381,000	51,138,000	3.91%
05	61,621,000	7,333,000	54,288,000	3.95%
04	63,539,000	6,900,000	56,639,000	3.99%
03	62,698,000	6,566,000	56,132,000	3.96%
02	62,655,000	6,232,000	56,423,000	3.92%
01	62,147,000	6,246,000	55,901,000	3.89%
00	68,765,000	6,209,000	62,556,000	4.17%

The three state gambling taxes included as lawful purpose expenditures are:

Gross Receipts Tax
1.7 percent of the gross receipts on pull-tab and tipboard games.

Net Receipts Tax
8.5 percent on the net receipts on bingo, raffles, and paddlewheels.

Combined Receipts Tax
A progressive tax calculated on the gross receipts from pull-tab games, tipboards, and interest.

Allowable Expenses

An allowable expense is an expense or a proportion of an expense directly related to the conduct of lawful gambling.

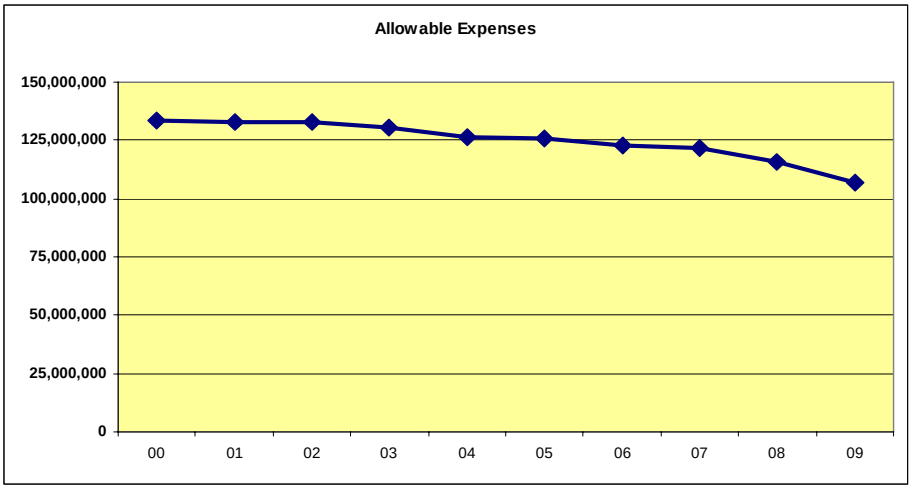
Allowable expenses as reported to the Department of Revenue included:

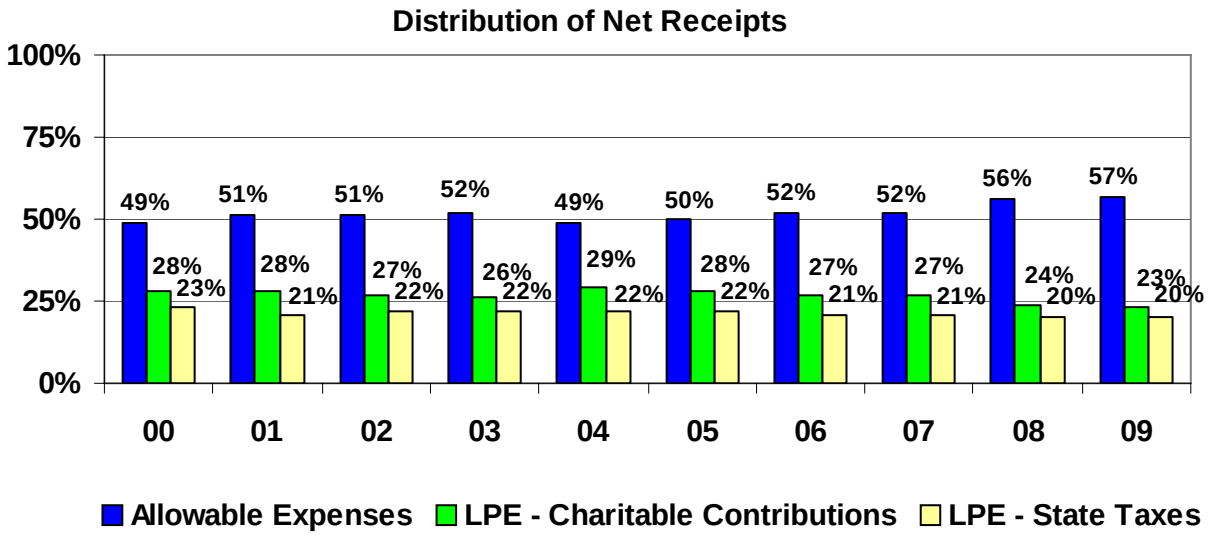
Operating Cost	FY09	FY08	% Change
Compensation and payroll taxes	$52,206,000	$56,782,000	- 8.1
Gambling equipment (pull-tabs, bingo paper, tipboards, paddletickets)	18,665,000	20,342,000	- 8.2
Rent	19,258,000	21,165,000	-9.0
Accounting and legal work	6,965,000	6,993,000	-0.4
Office supplies and miscellaneous expenses	5,673,000	5,627,000	0.8
Gambling device purchase, storage, maintenance (paddlewheel & table,bingo number selection device, pull-tab dispensing device)	2,282,000	2,519,000	-9.4
Penalty and interest paid on taxes	87,000	59,000	47.5
Cash shortages (see next page)	1,249,000	1,403,000	-11.0
Utilities (premises owned by organization)	432,000	645,000	-33.0
Bond; local government investigation fee	292,000	311,000	-6.1
Advertising	457,000	467,000	-2.1
Theft and liability insurance	614,000	710,000	-13.5
Expenses were offset by reimbursements from a source of nongambling funds for the following:			
Excess cash shorts	(610,000)	(640,000)	-4.7
Negative expense calculations	(625,000)	(842,000)	-25.8

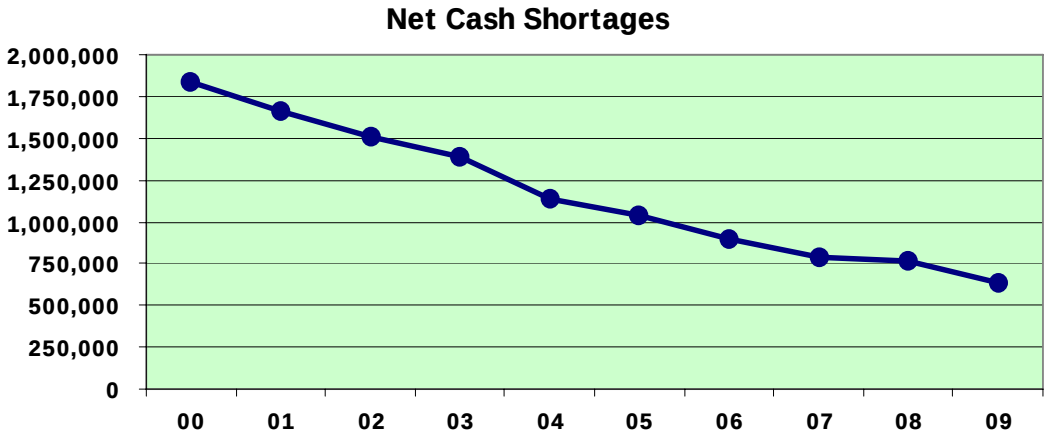
- Rent is all-inclusive (utilities, etc.) and for bar operations, the lessor must reimburse all cash shortages.
- Lessors and their employees may not be paid compensation.
- License and permit fees paid to the state are reported as a lawful purpose instead of as an allowable expense.

Ten-Year Comparison of Allowable Expenses

09	$106,945,000
08	$115,541,000
07	$121,700,000
06	$122,928,000
05	$126,026,000
04	$126,412,000
03	$130,471,000
02	$132,644,000
01	$132,960,000
00	$133,388,000







FY	Net cash shortages	As % of gross receipts
09	$ 639,000	0.06%
08	763,000	0.07%
07	788,000	0.06%
06	896,000	0.07%
05	1,038,000	0.08%
04	1,132,000	0.08%
03	1,383,000	0.10%
02	1,513,000	0.11%
01	1,656,000	0.12%
00	1,840,000	0.12%

A cash shortage is the difference between the reported net receipts for a game and the actual cash on hand to be deposited for that game.

For reporting purposes, shortages may not exceed three-tenths of one percent (.3%) of gross receipts (sales) and are treated as an allowable expense.

For bar operation leases, cash shortages must be reimbursed by the lessor.

The Board closely monitors cash shortages, because shortages may indicate theft or mismanagement.

Lawful Gambling Activity within a County

COUNTY	GROSS RECEIPTS FY09	GROSS RECEIPTS FY08	GROSS % CHANGE since FY08	NET (after prizes) RECEIPTS FY09	NET (after prizes) RECEIPTS FY08	NET (after prizes) % CHANGE since FY08
Aitkin	11,460,000	12,346,000	-7.2%	1,929,000	2,094,000.00	-7.9%
Anoka	91,803,000	105,576,000	-13.0%	16,299,000	18,873,000	-13.6%
Becker	9,388,000	10,222,000	-8.2%	1,633,000	1,757,000	-7.1%
Beltrami	6,479,000	7,245,000	-10.6%	1,177,000	1,239,000	-5.0%
Benton	10,372,000	11,283,000	-8.1%	2,132,000	2,249,000	-5.2%
Big Stone	524,000	550,000	-4.7%	105,000	107,000	-1.9%
Blue Earth	11,373,000	12,641,000	-10.0%	2,196,000	2,303,000	-4.6%
Brown	4,222,000	4,392,000	-3.9%	902,000	898,000	0.4%
Carlton	8,824,000	9,092,000	-2.9%	1,358,000	1,420,000	-4.4%
Carver	12,510,000	12,501,000	0.1%	2,260,000	2,280,000	-0.9%
Cass	8,994,000	9,717,000	-7.4%	1,739,000	1,834,000	-5.2%
Chippewa	3,404,000	4,142,000	-17.8%	559,000	688,000	-18.8%
Chisago	11,549,000	12,201,000	-5.3%	2,064,000	2,140,000	-3.6%
Clay	10,947,000	11,063,000	-1.0%	2,006,000	2,081,000	-3.6%
Clearwater	2,393,000	3,262,000	-26.6%	452,000	585,000	-22.7%
Cook	0	90,000	-100.0%	0	22,000	-100.0%
Cottonwood	1,626,000	1,450,000	12.1%	315,000	293,000	7.5%
Crow Wing	27,120,000	30,393,000	-10.8%	5,057,000	5,502,000	-8.1%
Dakota	57,170,000	61,942,000	-7.7%	10,719,000	11,645,000	-8.0%
Dodge	2,817,000	3,098,000	-9.1%	556,000	599,000	-7.2%
Douglas	18,027,000	18,696,000	-3.6%	2,889,000	2,957,000	-2.3%
Faribault	3,834,000	4,345,000	-11.8%	722,000	816,000	-11.5%
Fillmore	5,531,000	5,643,000	-2.0%	1,049,000	1,035,000	1.4%
Freeborn	5,630,000	6,186,000	-9.0%	1,138,000	1,249,000	-8.9%
Goodhue	6,422,000	7,810,000	-17.8%	1,212,000	1,411,000	-14.1%
Grant	2,434,000	2,692,000	-9.6%	360,000	409,000	-12.0%
Hennepin	139,970,000	148,246,000	-5.6%	24,919,000	26,482,000	-5.9%
Houston	4,929,000	5,579,000	-11.7%	956,000	1,058,000	-9.6%
Hubbard	9,351,000	10,779,000	-13.2%	1,299,000	1,408,000	-7.7%
Isanti	7,236,000	8,107,000	-10.7%	1,315,000	1,444,000	-8.9%
Itasca	10,729,000	12,744,000	-15.8%	2,022,000	2,379,000	-15.0%
Jackson	410,000	436,000	-6.0%	99,000	90,000	10.0%
Kanabec	3,418,000	4,072,000	-16.1%	658,000	775,000	-15.1%
Kandiyohi	6,419,000	6,823,000	-5.9%	1,104,000	1,217,000	-9.3%
Kittson	1,115,000	1,139,000	-2.1%	219,000	189,000	15.9%
Koochiching	3,541,000	4,891,000	-27.6%	662,000	883,000	-25.0%
Lac qui Parle	1,259,000	1,204,000	4.6%	237,000	235,000	0.9%
Lake	2,183,000	2,929,000	-25.5%	384,000	511,000	-24.9%
Lake of the Woods	3,329,000	3,742,000	-11.0%	597,000	657,000	-9.1%
Le Sueur	6,217,000	7,125,000	-12.7%	1,218,000	1,359,000	-10.4%
Lincoln	637,000	654,000	-2.6%	140,000	147,000	-4.8%
Lyon	2,510,000	2,551,000	-1.6%	574,000	506,000	13.4%
Mahnomen	0	80,000	-100.0%	0	10,000	-100.0%
Marshall	4,478,000	4,813,000	-7.0%	708,000	758,000	-6.6%
Martin	5,764,000	6,222,000	-7.4%	997,000	1,056,000	-5.6%

Lawful Gambling Activity within a County

COUNTY	GROSS RECEIPTS FY09	GROSS RECEIPTS FY08	GROSS % CHANGE since FY08	NET (after prizes) RECEIPTS FY09	NET (after prizes) RECEIPTS FY08	NET (after prizes) % CHANGE since FY08
McLeod	9,165,000	10,296,000	-11.0%	1,778,000	1,947,000	-8.7%
Meeker	4,308,000	4,799,000	-10.2%	872,000	966,000	-9.7%
Mille Lacs	11,107,000	12,175,000	-8.8%	2,121,000	2,312,000	-8.3%
Morrison	15,797,000	18,020,000	-12.3%	2,848,000	3,158,000	-9.8%
Mower	7,386,000	8,766,000	-15.7%	1,432,000	1,750,000	-18.2%
Murray	825,000	984,000	-16.2%	165,000	191,000	-13.6%
Nicollet	5,357,000	5,091,000	5.2%	1,069,000	1,042,000	2.6%
Nobles	1,450,000	1,960,000	-26.0%	312,000	413,000	-24.5%
Norman	1,184,000	1,287,000	-8.0%	204,000	207,000	-1.4%
Olmsted	15,099,000	17,252,000	-12.5%	3,232,000	3,626,000	-10.9%
Otter Tail	16,416,000	18,647,000	-12.0%	2,859,000	3,271,000	-12.6%
Pennington	5,601,000	5,665,000	-1.1%	1,032,000	1,024,000	0.8%
Pine	7,222,000	8,163,000	-11.5%	1,351,000	1,514,000	-10.8%
Pipestone	487,000	582,000	-16.3%	107,000	121,000	-11.6%
Polk	16,485,000	17,721,000	-7.0%	2,671,000	2,877,000	-7.2%
Pope	4,459,000	4,996,000	-10.7%	801,000	898,000	-10.8%
Ramsey	84,743,000	93,442,000	-9.3%	16,428,000	18,147,000	-9.5%
Red Lake	2,119,000	2,038,000	4.0%	364,000	347,000	4.9%
Redwood	1,692,000	1,838,000	-7.9%	343,000	374,000	-8.3%
Renville	3,001,000	3,355,000	-10.6%	545,000	613,000	-11.1%
Rice	9,971,000	11,506,000	-13.3%	2,076,000	2,367,000	-12.3%
Rock	1,206,000	984,000	22.6%	255,000	207,000	23.2%
Roseau	4,758,000	5,132,000	-7.3%	808,000	905,000	-10.7%
Scott	15,249,000	17,402,000	-12.4%	2,879,000	3,260,000	-11.7%
Sherburne	18,249,000	23,193,000	-21.3%	3,133,000	3,953,000	-20.7%
Sibley	3,524,000	3,953,000	-10.9%	702,000	793,000	-11.5%
St. Louis	38,840,000	46,865,000	-17.1%	6,614,000	7,793,000	-15.1%
Stearns	41,890,000	44,623,000	-6.1%	8,337,000	8,871,000	-6.0%
Steele	8,683,000	9,521,000	-8.8%	1,617,000	1,817,000	-11.0%
Stevens	1,839,000	1,840,000	-0.1%	353,000	353,000	0.0%
Swift	4,439,000	4,365,000	1.7%	821,000	826,000	-0.6%
Todd	9,721,000	11,263,000	-13.7%	1,809,000	2,047,000	-11.6%
Traverse	281,000	339,000	-17.1%	59,000	67,000	-11.9%
Wabasha	5,919,000	6,463,000	-8.4%	1,195,000	1,246,000	-4.1%
Wadena	4,175,000	4,552,000	-8.3%	675,000	724,000	-6.8%
Waseca	4,359,000	4,464,000	-2.4%	863,000	901,000	-4.2%
Washington	34,118,000	39,168,000	-12.9%	6,469,000	7,580,000	-14.7%
Watonwan	3,200,000	3,465,000	-7.6%	595,000	641,000	-7.2%
Wilkin	713,000	838,000	-14.9%	138,000	152,000	-9.2%
Winona	12,795,000	13,934,000	-8.2%	2,535,000	2,728,000	-7.1%
Wright	35,493,000	41,805,000	-15.1%	5,828,000	6,801,000	-14.3%
Yellow Medicine	1,056,000	1,104,000	-4.3%	232,000	250,000	-7.2%
TOTAL	**1,022,729,000**	**1,134,570,000**	**-9.9%**	**187,463,000**	**206,730,000**	**-9.3%**

NOTE: Receipts are based on **sites** located within a county. Variances between the above totals and those listed on page 5 are due to rounding, reports being generated at different times, and unreconciled returns (G1 & Sched. A).

Local Unit of Government

LOCAL GAMBLING TAX

A city or county may impose a local gambling tax, only if they do not charge an investigation fee or other local taxes on lawful gambling. The tax, up to 3% per year, may be imposed only if the amount is necessary to cover the costs to regulate gambling in their jurisdiction. A report must be submitted to the Gambling Control Board by March 15 each year. The following cities reported information for 2008.

City	Rate	Collected	City	Rate	Collected
Austin	0.50%	3,980.90	Minneapolis	3%	147,571.29
Bloomington	0.25%	5,481.41	North Mankato	3%	11,092.19
Duluth	3%	59,456.00	Owatonna	3% (to $500)	5,000.00
East Bethel	3%	13,985.20	Roseville	3%	70,562.75
Fridley	3%	72,559.38	Saint Paul	2.5%	123,385.24
Lilydale	3%	327.12	Shoreview	3%	3,365.58
Lino Lakes	3%	891.55	Spring Lake Park	3%	47,680.00
Madison Lake	3%	1,640.35	Waterville	3%	3,041.56
Mankato	3%	44,035.24	White Bear Lake	2%	25,444.00
Maple Grove	0.50%	5,801.14	Worthington	3%	5,628.00
Mendota	2%	3,827.00	**Total collected**		**$654,755.90**

The following cities reported no tax imposed in 2008 but maintained an existing balance: Eden Prairie, Little Canada, Plymouth, and St. Louis Park.

LAWFUL PURPOSE CONTRIBUTIONS TO LOCAL UNITS OF GOVERNMENT

VOLUNTARY A-10 LPE CONTRIBUTIONS

- Organizations may provide voluntary contributions to units of government (under lawful purpose code A-10) for government programs and projects of the United States, the state of Minnesota, or local units of government.
- The city or county is not required to report the receipt of these contributions to the Board.

10% FUND CONTRIBUTIONS, WHEN MANDATED BY ORDINANCE

As established by ordinance, a city or county (not a township) may require an organization to contribute up to 10% per year of net profits to a fund that the city or county administers.

- The city or county may only spend the fund for charitable contributions (Minn. Stat. 349.12, subd. 7a), or for police, fire, and other emergency or public safety-related services, equipment, and training.
- The fund may not be used for the payment of pension obligations or general government functions.
- A licensed organization that contributes to the 10% fund may not be a beneficiary of the fund.
- A city or county that has a 10% fund must submit a report to the Gambling Control Board by March 15.

- **In fiscal year 2009, a total of $7,100,000 was contributed to units of government for contributions allowed under code A-10.**
- **In calendar year 2008, 84 cities required 10% fund contributions as mandated by city ordinance.**

Operational and Regulatory Study Conducted by Board

In light of the decrease in gross sales activity for lawful (charitable) gambling over the last few years, the 2008 Legislature directed the Gambling Control Board to conduct a study on the issues facing licensed non-profit organizations.

The Board's study included a review of operational and regulatory procedures, accounting functions, tax structure, and recent trends in lawful purpose contributions and allowable expenses incurred by licensed charitable organizations relating to lawful gambling activities.

The Gambling Control Board solicited input from lawful gambling licensees and other stake holders on issues facing the industry and consulted with other regulatory agencies. A report was provided to the legislature in January 2009, resulting in the many legislative changes summarized in this report.

ORGANZATION LICENSE - Effective July 1, 2009

- **Members required** - An organization must have at least 15 active members at the time of its initial license application, and thereafter must have at least 13 members eligible to vote on gambling matters.
- **Application information -** The requirement to identify proposed lawful purpose expenditures in a license application was deleted, as was the annual goal for charitable contributions.
- **Perpetual license term** - The two-year license term is deleted and replaced by a "perpetual license term" with no expiration date unless the board revokes or suspends the license, the organization terminates the license, or the license lapses.
- **Organization license renewals** are eliminated, however, the annual fee is still $350.
- **Lapsed organization license -** An organization license is considered to be lapsed if the organization:
  1. did not conduct and report any gambling sales activity within seven months from the date of the last gambling activity;
  2. failed to have a gambling manager as required by section 349.167;
  3. failed to pay annual license and permit fees; or
  4. surrendered, withdrew, or terminated the license and filed a termination plan.

  If the organization license is determined to be lapsed, the Board may:
  1. institute a proceeding such as a revocation or suspension of the license;
  2. require the organization to file a termination plan;
  3. enter a revocation order as of the date the license was considered lapsed;
  4. impose a civil penalty;
  5. order corrective action; or
  6. summarily suspend the license.

Suspension - The Board may summarily suspend the license if an organization:

- fails to pay the annual fees for its organization license, gambling manager license, and premises permits, and may keep the suspension in effect until all required fees are paid, or
- is more than 45 days late in filing a tax return or in paying taxes, and may keep the suspension in effect until all required returns are filed and required taxes are paid. (Previously the allowance was 3 months.)

Legislative Changes

GAMBLING MANAGER - Effective July 1, 2009

- **Membership -** A gambling manager must have been an active member for at least the most recent six months at the time of the gambling manager license application. Previously the requirement was two years at the time of the organization's initial application and six months prior to the effective date of the organization's renewal license.
- **Perpetual license term** - A gambling manager's license runs concurrently with the organization's perpetual license unless the gambling manager's license is suspended or revoked by the Board or otherwise terminated by the organization or gambling manager. Gambling manager license renewals are eliminated. However, the annual fee remains at $100.
- **Emergency gambling manager change -** Organizations no longer have to cease gambling for emergency gambling manager replacements if the organization:
  1. contacts the Board within one business day to establish a plan to replace the gambling manager, and
  2. submits a complete application and fee within four business days.

  During this brief time period, an organization may continue gambling without a licensed gambling manager. An organization that fails to meet the requirements in 1 and 2 must discontinue its gambling operation until:
  - a gambling manager application and fee is received by the Board, and
  - a license has been issued by the Board and received by the gambling manager.

PREMISES PERMITS AND LEASES - Effective July 1, 2009

- **Bar operation rent cap** of $2,500 for all organizations at a site with a bar operation was deleted. (Maximum rate of 20% of gross profits still applies.)
- **Lease requirements -** For new leases after July 1, 2009, the lease term is concurrent with the perpetual premises permit. The lease must contain a clause that either party may terminate the lease upon a 30-day written notice.
- **Perpetual term -** The term for a premises permit issued by the Board runs concurrently with the organization license on a perpetual basis, unless the permit is suspended or revoked by the Board or is voluntarily terminated by the organization. The annual fee remains at $150.
- **Off-site permits -** An organization may receive 4 "off-site" permits in a calendar year, not to exceed 3 days per event. Previously an organization was allowed 4 days plus an additional event of up to 12 days. A fee may not be assessed for the permit by the Board, city, or county.

LOCAL GOVERNMENT APPROVAL - Effective July 1, 2009

- **Investigation fee -** Cities and counties may impose an annual investigation fee on organizations applying for an initial premises permit or conducting lawful gambling at a site within their jurisdiction.

EXEMPT PERMITS - Effective July 1, 2009

- **Expedited application fee -** For an exempt permit application postmarked or received less than 30 days before the gambling occasion, the application fee is $100. The fee remains at $50 for an application postmarked or received 30 days in advance of the occasion.

ALLOWABLE EXPENSES - Effective July 1, 2009

- **Advertising limits** were eliminated. The portion of advertising related to lawful gambling is still an allowable expense.
- **Alternative premises payment** was deleted. Effective July 1, 2009, an organization may no longer pay itself up to $1,000 per month as an alternative to paying real estate taxes.
- **Annual audit, financial reviews, and certified physical inventory and cash count**
  - √ Each licensed organization must perform an annual certified physical inventory and cash count at the end of its fiscal year. The report must be submitted to Revenue within 30 days after the end of the organization's fiscal year.
  - √ Financial reviews are eliminated. Previously organizations with gross receipts between $150,000 and $300,000 were required to have an annual financial review.
  - √ The threshhold for the annual audit requirement was raised from $300,000 to $500,000 in gross receipts for the organization's fiscal year.
  - √ Organizations with less than $500,000 gambling gross receipts annually may be required by the commissioner of revenue to have a financial audit when the organization has:
    1. failed to timely file required gambling tax returns;
    2. failed to timely pay the gambling tax or regulatory fee;
    3. filed fraudulent gambling tax returns;
    4. failed to take corrective actions required by the commissioner; or
    5. failed to otherwise comply with chapter 297E.
- **Expense calculation limits** are eliminated on July 1, 2009. However, the Board has until December 31, 2009 to impose a penalty or sanctions for expense calculation violations that occurred through June 30, 2009.

LAWFUL PURPOSE RATING - Effective July 1, 2009

The annual lawful purpose rating replaces expense calculation limits.

- **12-month period -** For each 12 month period beginning July 1, 2009, a licensed organization will be evaluated by the Board to determine a rating based on the percentage of annual lawful purpose expenditures when compared to available gross profits for the same period.
- **Rating -** The rating will be used to determine the organization's profitability percent. It is not a rating of the organization's overall lawful gambling operation. Organizations will be evaluated according to the following criteria.

% Spent on Lawful Purpose	Rating
more than 50% ...	5 star ★★★★★
more than 40% ...	4 star ★★★★
more than 30% ...	3 star ★★★
more than 20% ...	2 star ★★
Less than 20% ...	1 star ★

- **Probation -** An organization that fails to expend a minimum of 30% of gross profits on lawful purposes each year (July to June) is automatically on probation effective July 1 for one year. The organization must increase their rating to a mininum of 30% or be subject to sanctions by the Board. If an organization fails to meet the minimum after a one-year probation the Board may suspend the organization's license or impose a civil penalty of up to $10,000.
- **Suspension or penalty -** In determining any suspension or penalty, the Board must consider any unique factors or extraordinary circumstances that caused the organization to not meet the minimum rate of profitability, such as the purchase of capital assets necessary to conduct lawful gambling; road or other construction causing impaired access to the lawful gambling premises; and flood, tornado, or other catastrophe that had a direct impact on the continuing lawful gambling operation.

Legislative Changes

LAWFUL PURPOSE - Effective July 1, 2009

Old code	New code	Description
A-12	N/A	Obsolete annual audit language deleted; annual audits became an allowable expense effective July 1, 2006.
N/A	A-12	Water quality testing (citizen monitoring)
B-5	A-20	Contribution to another licensed organization, with prior Board approval.
vary	A-21	Contribution to parent organization, for a state-level program that has received prior Board approval.
B-3(ii)	A-22	Repair, maintenance, or improvement of real property and capital assets owned by an organization, or replacement of a capital asset that can no longer be repaired, with the following restrictions and allowances: 1. a fiscal year limit of 5% of gross profits, with no carry forward of unused allowances. The fiscal year is July through June; 2. the real property or capital asset must be made available free of charge to other nonprofit organizations or used for the organization's primary mission or headquarters; 3. expenditures may be made to bring an existing building into compliance with the Americans with Disabilities Act; 4. no board approval is required unless: - expenditures exceed the annual limit due to extenuating circumstances, or - the amount allowed will be applied to a replacement building in compliance with the Americans with Disabilities Act; and 5. a building expansion or bar-related expenditures are not allowed.
B-3(i)	A-23	Acquisition or improvement of a capital asset, with a cost greater than $2,000, excluding real property, that will be used exclusively for lawful purpose, with prior Board approval.
B-3(i)	A-24	Acquisition, erection, improvement, or expansion of real property used exclusively for lawful purpose, with prior Board approval.
B-3(iii)	A-25	Erection or acquisition of a comparable building, with prior Board approval, to replace an organization-owned building that was: - destroyed or made uninhabitable by fire or catastrophe, or - taken or sold under an eminent domain proceeding.

- **Annual standards -** 501(c)(3) and festival organizations must now apply annually to the Gambling Control Board for approval to make lawful purpose contributions to themselves under lawful purpose A-1, by meeting the 70/30 standards imposed by Board rule.
- **Electronic payment of all lawful purpose expenditures** is now allowed.
- **Lawful purpose prohibition clarified -** A lawful purpose does not include "a contribution to a 501(c)(3) organization or other entity with the intent or effect of not complying with lawful purpose restrictions or requirements."

BINGO - Effective July 1, 2009

- **Bar bingo games** may be conducted using only bingo paper sheets "or facsimiles of bingo paper sheets" purchased from a licensed distributor "or licensed linked bingo game provider."
- **Bingo winner (alternative games allowed)** - A bingo game is won when a player has completed, as described in the bingo program, either a previously-designated pattern or a previously-designated game requirement and declared bingo.
- **Electronic bingo device -** Language clarifies that a player "activates" (electronically daubs) a called bingo number when using an electronic bingo device.
- **Progressive prizes -** A progressive bingo prize may be awarded by check within three business days of the day on which the bingo occasion was conducted.

MISCELLANEOUS CHANGES - Effective July 1, 2009

- **Civil penalties** of up to $1,000 may be issued by the Board or Director for violations of chapter 349, Board rule, orders issued by the Board, or chapter 297E. Previously the limit was $500.
- **Commercialization** - The Board mandate to prevent the commercialization of lawful gambling was deleted.
- **Enhancements of gambling equipment** includes "programmable electronic devices that have no effect on the outcome of a game and are used to provide a visual or auditory enhancement of a game."
- **Grant for Public Awareness of Problem Gambling -** The authority to administer a grant was transferred by the Legislature to the Gambling Control Board from the Department of Human Services. The grant is for the state affiliate recognized by the National Council on Problem Gambling. The purpose of the grant is to provide services to increase public awareness of problem gambling plus other related requirements. Language was included in the omnibus state goverment appropriations bill (Senate File 2082).
- **Linked bingo game providers** must submit a proposed fee schedule for the cost of providing services and equipment to licensed organizations.
- **Pull-tab dispensing device** may have as a component an auditory or visual enhancement to promote or provide information about a game being dispensed, provided the component does not affect the outcome of a game or display the results of a game or an individual ticket.
- **Raffles -** A debit card may be accepted for the purchase of a raffle ticket. Language was repealed for raffles conducted by an organization that directly or under contract to the state or a political subdvision delivers health or social services and that is a 501(c)(3) organization if the raffle prizes are real or personal property donated by an individual, firm, or other organization.

Legislative Changes

Who May and May Not Participate in Lawful Gambling
Effective July 1, 2009

	Pull-tabs, tipboards, and paddlewheels	Bingo	Raffles
Gambling manager (at organization's permitted premises)	No	No	No
Organization and lessor employees and volunteers	No. They may play only if they are not involved with the conduct of these games[1] at the premises where they work. **NOTE:** Posting of winners not required. This restriction is in effect until six weeks after the employee or volunteer is no longer involved in the conduct of pull-tabs, tipboards, and paddlewheels at that premises.	No. They may play bingo only if they are not involved with the conduct of any lawful gambling[1, 2] during a bingo occasion at the premises where they work.	Yes
Lessor (at lessor's premises)	No	No	No
Lessor's immediate family (spouse, child, parent, brother, sister, **at lessor's premises)**	No	They may play bingo only if they are not involved with the conduct of bingo[2] during a bingo occasion.	Yes
Age restrictions	• Must be 18 and older to conduct these games • Must be 18 and older to play these games	• Must be 18 and older to conduct bingo • Must be 18 and older to play bingo. EXCEPTIONS: A person under 18 may play bingo: - conducted by an exempt or excluded organization, or - conducted by an organization as part of an annual community event if accompanied by a parent or guardian.	• Must be 18 and older to buy a raffle ticket • Must be 18 and older to win a raffle prize. • Under 18 may sell raffle tickets.

[1]**Conduct of pull-tabs, tipboards, and paddlewheels includes:**
- selling tickets,
- redeeming tickets,
- auditing games,
- making deposits,
- spinning the paddlewheel, and
- conducting inventory.

[2]**Conduct of bingo includes:**
- selling bingo hard cards, bingo paper sheets, or facsimiles of bingo paper sheets,
- completing bingo occasion records,
- selecting or announcing bingo numbers,
- making deposits, and
- conducting inventory.

Education Program

An integral part of the Board's mission is educating the lawful gambling industry. To ensure the integrity of the industry, education is provided to organizations through the following opportunities.

Continuing Education Classes
Speaking Engagements

Gambling managers are required to attend one class each year.

Continuing education classes are conducted at various locations throughout the state free of charge and are open to the public. The chief executive officer, members, and employees of the organizations are invited as well.

During the fiscal year, 73 continuing education classes were conducted.

Staff also participated in 10 speaking engagements throughout the state at conferences and conventions, such as American Legion, VFW, Eagles, and Lions.

Other Education Programs

Gambling Manager Seminars

Gambling manager seminars are conducted each month by Board staff. Each seminar consisted of two days of training and included information on statutes, rules, conduct of lawful gambling, internal controls, reporting and licensing requirements, and the organization's responsibilities.

Mentoring

The Board's mentoring program provides one-on-one training to organizations on how to properly manage their gambling operation and comply with all reporting requirements. The program also provides guidance to licensed organizations that have experienced serious operational difficulties. New organizations or existing organizations with a new gambling manager may voluntarily participate in this program.

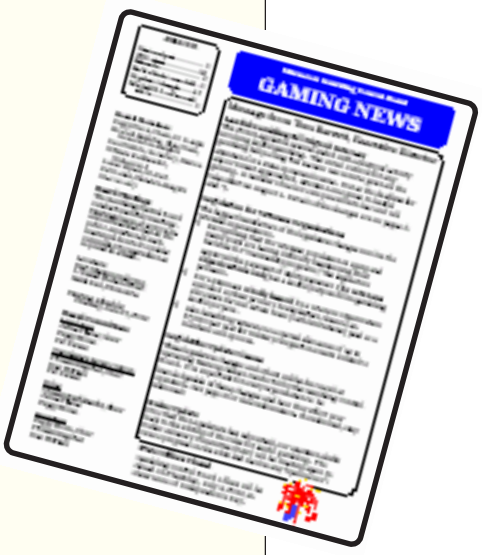
Gaming News

The Board publishes the bi-monthly *Gaming News* newsletter on its web site at www.gcb.state.mn.us. The newsletter is mailed to all licensed gambling managers. Subscriptions to the newsletter are available through Minnesota's Bookstore.

Gaming News provides up-to-date information on compliance, licensing, and education issues.

Gaming News also includes information on legislative and rule changes, scheduled continuing education classes, forms, and Board activities.

The Departments of Revenue and Public Safety and the Internal Revenue Service periodically contribute articles for the newsletter.



The *Lawful Gambling Manual* is a handy reference guide for CEO's, gambling managers, and organizations--whether new or experienced.

The *Manual* provides information on statute and rule requirements in an easy to understand format, and was last updated in 2009.

The *Manual* is divided into chapters that are easily referenced for:

- √ licensing requirements,
- √ conduct for each form of lawful gambling: pull-tabs, bingo, raffles, paddlewheels,and tipboards,
- √ managing gambling equipment inventory,
- √ guidelines for internal controls of the gambling operation including accounting and administrative controls, with a section on monthly oversight,
- √ how net receipts may be spent, and
- √ a cross-reference index.

"Everything you always wanted to know about lawful gambling..." can be found on the Board's web site at:

www.gcb.state.mn.us

BOARD INFORMATION

Gambling Control

Minnesota Gambling Control Board

√ Meeting dates and agenda

√ Summary of monthly Board meetings

PUBLICATIONS

- Gaming News
- CEO Guidebook
- Illegal Gambling
- Lawful Gambling Manual
- Who May and May Not Play
- Raffle Ticket Requirements
- Bingo FAQ

LOCAL GOVERNMENT

- authority and restrictions
- local tax or investigation fee
- contribution fund
- reports

LINKS

- Links to other agencies
- Link to legislature
- E-mail links to staff

EDUCATION AND OTHER INFORMATION

"We're here to help"

- Continuing education; training dates
- Request for mentoring
- Forms
- Lawful gambling statutes and rules
- List of licensees
  - nonprofit organizations
  - distributors and manufacturers
  - linked bingo game providers

Minnesota Gambling Control Board
1711 West County Road B, Suite 300 South
Roseville, Minnesota 55113

651-639-4000

www.gcb.state.mn.us

This publication will be made available in alternative format
(large print, Braille) upon request.

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The five forms of lawful gambling are raffles, bingo, pull-tabs, tipboards, and paddlewheels.

Fiscal and Calendar Year Reports and Studies.

2009 2008 2007 2006 2005 2004

To return to the Minnesota Gambling Control Board home page, click here.

Smoking ban study: **A brief review of the fiscal impact of a statewide smoking ban on lawful gambling, report issued on March 28, 2008.**

2009 Lawful Gambling Study:

In light of the decrease in gross sales activity for lawful (charitable) gambling over the last few years, the 2008 Legislature directed the Gambling Control Board to conduct a study on the issues facing the licensed non-profit organizations. Specifically, the law required the following:

> **The Gambling Control Board shall review operational and regulatory procedures, accounting functions, tax structure, and recent trends in lawful purpose contributions and allowable expenses incurred by licensed charitable organizations relating to lawful gambling activities. The board must seek public input including comment from licensees and professionals working in the lawful gambling industry. The board must provide a report with recommendations and proposed legislation, if any, to the chairs of the legislative standing committees with jurisdiction over lawful gambling by January 15, 2009.**

The Gambling Control Board solicited input from lawful gambling licensees and other stake holders on issues facing the industry and consulted with other regulatory agencies. To view the report click here. (NOTE: Correction made to report on 3-2-09.)

FISCAL AND CALENDAR YEAR REPORTS

Each year the Minnesota Gambling Control Board publishes a fiscal year report that includes a comparison of gross receipts, prizes paid, net receipts, and expenditures with previous years. The reports also highlight recent legislative and regulatory changes.

The Board also publishes an addendum to the fiscal year report based on calendar year figures.

The Board publishes a third report based on financial summary information provided by all nonprofit organizations licensed by the Board. This report was first required to be submitted by licensed organizations in 2005.

Each report is listed in the sections below for each year.

Reports for 2009.

2009 Fiscal year report, July 1, 2008 through June 30, 2009.

2009 Calendar year report, January 1, 2009 through December 31, 2009.

ORGANIZATION ANNUAL REPORT

- **introduction.**
- **by organization, 31 pages. To print, change print setting to Legal size and use legal size paper.**
- **by city, 31 pages. To print, change print setting to Legal size and use legal size paper.**
- **by gross receipts, 31 pages. To print, change print setting to Legal size and use legal size paper.**

Reports for 2008.

2008 Fiscal year report, July 1, 2007 through June 30, 2008.

2008 Calendar year report, January 1, 2008 to December 31, 2008.

ORGANIZATION ANNUAL REPORT

- introduction.
- by organization, 33 pages. To print, change print setting to Legal size and use legal size paper.
- by city, 33 pages. To print, change print setting to Legal size and use legal size paper.
- by gross receipts, 33 pages. To print, change print setting to Legal size and use legal size paper.

Reports for 2007.

2007 Fiscal year report, July 1, 2006 through June 30, 2007.

2007 Calendar year report, January 1, 2007 to December 31, 2007.

2007 ORGANIZATION ANNUAL REPORT

- introduction.
- by organization, 33 pages. To print, change print setting to Legal size and use legal size paper.
- by city, 33 pages. To print, change print setting to Legal size and use legal size paper.
- by gross receipts, 33 pages. To print, change print setting to Legal size and use legal size paper.

Reports for 2006.

2006 Fiscal year report, July 1, 2005 through June 30, 2006.

2006 Calendar year report, January 1 through December 31, 2006.

2006 ORGANIZATION ANNUAL REPORT

- introduction.
- by organization name (29 pages). To print, change print setting to Legal size and use legal size paper.
- by city (29 pages). To print, change print setting to Legal size and use legal size paper.
- by gross receipts (29 pages). To print, change print setting to Legal size and use legal size paper.

Reports for 2005.

2005 Fiscal year report, July 1, 2004 through June 30, 2005.

2005 Calendar year report, January 1 through December 31, 2005.

2005 ORGANIZATION ANNUAL REPORT

- introduction.
- by organization name, 24 pages. To print, change print setting to Legal size and use legal size paper.
- by city 24 pages). To print, change print setting to Legal size and use legal size paper.

Reports for 2004.

2004 Fiscal year report, July 1, 2003 through June 30, 2004.

2004 Calendar year report, January 1 through December 31, 2004.

To return to the Minnesota Gambling Control Board home, click here.