



Minnesota Gambling Control Board

GAMING NEWS

May/June 2009

Gambling Control Board

Peggy Moon, Chair
(St. Joseph)

Committees: Executive (chair);
Rules

Shirleen Hoffman,
Vice-Chair (Delano)

Committees: Executive;
CRG (chair)

Gerald Dexter, Secretary
(Little Canada)

Committees: Executive; CRG

William Gillespie (St. Paul)

Committees: Rules (chair);
Legislative

William Goede (Plainview)

Committee: Legislative (chair)

Christine Long (Owatonna)

Committees: Rules; Legislative

Norm Pint (New Prague)

Committee: CRG



Monthly board meetings are open to the public.

Best Western Kelly Inn
I-94 & Marion St., St. Paul

2009

Monday, June 15, 10 am
Monday, July 20, 10 am
Monday, August 17, 10 am
Monday, September 21, 10 am
Monday, October 19, 10 am
Friday, November 20, in
conjunction with ACM
convention in St. Cloud
Monday, December 21, 10 am

The agenda is posted at:
www.gcb.state.mn.us

DIRECTOR'S COLUMN

Tom Barrett, Executive Director

Good Changes Coming to Charitable Gaming!

The proposed changes in law recommended by the Gambling Control Board (GCB) were widely accepted by the Minnesota Legislature and signed into law by the Governor on May 20, 2009! The Minnesota Senate voted 63-0 in favor of the bill while the House posted an impressive vote of 128-2! The bill covered many of the policy issues identified in the GCB study that was completed with input from the industry. Additionally, there were two separate tax reform bills proposed (one from the Gambling Control Board; one from Allied Charities) but neither tax bill made it to a vote.

This issue of Gaming News highlights all of the law changes that become effective on July 1, 2009. Based on the significance of the changes we recommend that every gambling manager plan to attend a 2009 Legislative Update class as soon as possible! (See complete class listing on page 2.)

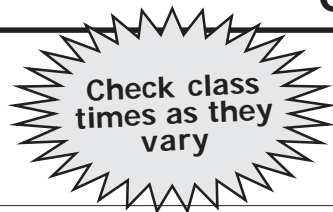
Here is a quick summary of the significant changes:

- Compliance with expense calculations replaced with rating for lawful purpose contributions
- Annual independent audit requirements modified
- Perpetual organization license/perpetual premise permits
- 30-day termination clause required for all leases
- Rent cap for bar operations removed
- Advertising restrictions removed
- 5% of net receipts allowed for building repairs without prior Board approval
- Alternative premises payment removed – Property taxes as LPE remains
- New features for pull-tab dispensers allowed
- Video enhancements for winner verification allowed
- Electronic payments allowed for all transactions (LPE and AE)
- Clarification of who may/maynot participate in lawful gambling

In regards to the tax reform--the #1 issue identified in the study--the Board's proposal was to focus the tax on the product being sold, such as pull-tabs, and not on the profits of the charity and to find an "equitable rate" so that all organizations would contribute at the same rate. While the Board's proposed rate of 3.75% for pull-tabs was below the rate of 6.5% for lottery tickets, the industry's focus was on tax reduction. Again, neither tax bill made it to a vote.

Overall, the proposed changes will be significant for the charitable gaming industry! The reduction in licensing paperwork, the modification of independent audit requirements, and allowance for some additional game formats will generate some significant savings for licensed organizations. And, the change for monitoring compliance on lawful purpose expenditures will help organizations focus on what charitable gaming is all about!

Continuing Education Classes



- Preregistration is not required for continuing education classes.
- Classes are free and open to the public.
- **Reminder:** Gambling managers are required to attend at least one continuing education class each CALENDAR YEAR.
- Check our web site at www.gcb.state.mn.us for updates and changes.

June 16, 2009 Tuesday 2 and 6 pm	Great River Regional Library 1300 West Germain Street, Mississippi Room St. Cloud	2009 Legislative Update
June 18, 2009 Thursday 2 pm and 7 pm	Lyon County Government Center 607 West Main, Commissioner 1 and 2 rooms Marshall	2009 Legislative Update
June 23, 2009 Tuesday 2 and 7 pm	Gambling Control Board Suite 300 South, use south doors 1711 West County Road B, Roseville	2009 Legislative Update
June 30, 2009 Tuesday - 2 pm only	Hibbing Memorial Building 400 East 23rd Street, Dining Room, Hibbing	2009 Legislative Update
July 22, 2009 Wednesday - 2 pm only	Gambling Control Board Suite 300 South, use south doors 1711 West County Road B, Roseville	2009 Legislative Update
August 5, 2009 Wednesday - 2 pm only	Gambling Control Board Suite 300 South, use south doors 1711 West County Road B, Roseville	2009 Legislative Update
August 12, 2009 Wednesday 2 pm and 7 pm	Northland Inn Rooms 1 and 3 2200 University Avenue, Crookston	2009 Legislative Update
September 2009	Roseville , 2 pm only -----	Topic to be determined
October 2009	Bemidji , 2 pm and 7 pm -----	Topic to be determined
	Brainerd , 2 pm and 7 pm -----	Topic to be determined
	Marshall , 2 pm and 7 pm -----	Topic to be determined
	North Mankato , 2 pm and 7 pm -----	Topic to be determined
	Roseville , 2 pm and 7 pm -----	Topic to be determined
	Saint Cloud , 2 pm and 7 pm -----	Topic to be determined
	Winona , 2 pm and 7 pm -----	Topic to be determined
November 2009	Alexandria , 2 pm only -----	Topic to be determined
	Albert Lea , 2 pm and 7 pm -----	Topic to be determined
	Duluth , 2 pm only -----	Topic to be determined
	Roseville , 2 pm and 7 pm -----	Topic to be determined
November 19-21, 2009	St. Cloud - in conjunction with Allied Charities of Minnesota convention.	
December 2009	Fergus Falls , 2 pm and 7 pm -----	Topic to be determined
	Hibbing , 2 pm and 7 pm -----	Topic to be determined
	Roseville , 2 pm and 7 pm -----	Topic to be determined

CRG Report

The Compliance Review Group (CRG), a committee of the Gambling Control Board, meets with licensees to conduct informal inquiries into alleged violations of lawful gambling statutes and rules. This information is a condensed report of recently completed CRG conferences. Penalties imposed are based on specific and unique information reviewed for each licensee.

Licensee	Consent Order Allegations	Consent Order Requirements
Confidence Learning Center, license 00691	<ul style="list-style-type: none"> • Failed to maintain accurate physical and perpetual inventory systems, and to reconcile the records on a monthly basis. • Failed to deposit gambling receipts into the gambling bank account. • Filed inaccurate information with Revenue. • Failed to maintain internal controls sufficient to protect the integrity of its lawful gambling. 	<ul style="list-style-type: none"> • \$1,000 civil penalty. • File corrective action plan.
Shevlin Firemen's Relief Association license 02377	<ul style="list-style-type: none"> • Failed to correct a violation for which a fine was imposed and therefore is subject to disciplinary action. 	<ul style="list-style-type: none"> • \$200 civil penalty. • File corrective action plan.
Alborn Sno Devils license 02479	<ul style="list-style-type: none"> • Failed to maintain internal controls sufficient to protect the integrity of its lawful gambling. • Failed to maintain a complete and accurate record of its lawful gambling activities. • Failed to maintain deposit records which were sufficient to allow determination of deposits made from each deal or game at each permitted premises. • Failed to deposit gambling receipts into the gambling bank account. • Made incorrect rent payments. • Failed to reconcile its profit carryover with its cash balance on hand. • Failed to pay for a raffle prize before a raffle drawing. • Failed to use a merchandise prize certificate to award a raffle prize requiring government registration or a license as a condition of ownership. • Failed to comply with the Board's request, in a timely manner, to meet with Board staff, to conduct a post-compliance review, and failed to comply with the Board's request to provide documents to verify that the corrective action required in the Compliance Report had been completed. 	<ul style="list-style-type: none"> • \$2,000 civil penalty. • File corrective action plan. • Reconcile or reimburse gambling account. • File amended tax returns. • Resolve reporting issues in compliance review report. • Focused compliance review.
Lewiston Fire Relief Company license 03750	<ul style="list-style-type: none"> • Failed to maintain accurate physical and perpetual inventory systems, and to reconcile the records on a monthly basis. • Failed to make deposits of gambling receipts within four business days of the close of the game. • Failed to maintain internal controls sufficient to protect the integrity of its lawful gambling. • Filed inaccurate information with Revenue. 	<ul style="list-style-type: none"> • \$1,000 civil penalty. • File corrective action plan. • Chief executive officer attend the gambling manager seminar and pass the administered exam.

CRG Report (continued)

Licensee	Consent Order Allegations	Consent Order Requirements
American Legion Post 456, Sebeka license 01550	<ul style="list-style-type: none"> Failed to make deposits of gambling receipts within four business days of the close of the game into its separate gambling account. Failed to make expenditures directly from its separate account. Failed to obtain approval from its members of its allowable expenses. Filed false and inaccurate information with Revenue and the Gambling Control Board Conducted raffles in violation of rules. Conducted lawful gambling without the sufficient supervision of a licensed gambling manager. 	<ul style="list-style-type: none"> \$750 civil penalty. File corrective action plan. No same or similiar violation for 1 year.
Chicagami, Eveleth, license 01483	<ul style="list-style-type: none"> Illegal gambling activity occurred at site 021 (Eggys Red Garter Lounge). 	<ul style="list-style-type: none"> 90-day premises permit suspension. File corrective action plan.
Church of Incarnation Minneapolis license 00639	<ul style="list-style-type: none"> Exceeded the limits of gross profits which may be expended for allowable expenses. 	<ul style="list-style-type: none"> \$1,800 civil penalty. File corrective action plan.

Citations Paid in March/April 2009

Licensee	Violation	Amount
Northwestern Health Sciences University Bloomington, License 3070	Accounting and administrative controls insufficient, repeatedly not corrected.	\$500
Lions Club of Forest Lake, License 2190	Repeatedly incurred high cash shortages at a gambling premises.	\$400
B-Dale Club, Roseville, License 330	Raffle conducted in a manner that did not comply with statutes and rules.	\$400
Mankato Area Youth Baseball Association North Mankato, License 31040	Employee allowed to purchase pull-tabs at place of employment.	\$300
MOC Pup Tent 51, Bloomington, License 555	Check not signed by two active members.	\$50
Central Minnesota Sexual Assault Center St. Cloud, License 2169	Non-gambling funds used to make gambling-related expenditures.	\$50
American Legion Post 29, Morris License 324	Records not retained for 3.5 years.	\$50
Opole Baseball and Rec. Association Holdingford, License 2597	Citation paid with lawful gambling funds.	\$50

The following organizations exceeded percentage limit on allowable expenses and were issued a citation of \$50:

- **American Legion Post 318,** Fulda, License 755
- **Knights of Columbus Council 6731,** Granite Falls, License 3434
- **Cyrus Fire Department Relief Association,** License 2171
- **Moose Willow Sportsman's Club,** Hill City, License 1693

Legislative Changes Effective July 1, 2009



Minnesota Gambling Control Board
1711 West County Road B, Suite 300S
Roseville, MN 55113
651-639-4000

www.gcb.state.mn.us

Allowable Expenses Page 10

- Advertising limit deleted
- Alternative premises payment deleted
- Annual audit threshold raised; financial reviews eliminated; annual physical inventory and cash count required for all organizations
- Expense calculations expire June 30, 2009; penalty for exceeding statutory limit expires December 31, 2009

Bingo Page 17

- Game requirements outlined; allows alternative winners
- Progressive prizes may be awarded by check within 3 days

Exempt Permits Page 8

- Expedited application fee \$100

Forms Changed Page 19

Games and Equipment Page 17

- Enhancements for gambling equipment
- Raffles
- Miscellaneous technical changes

Gambling Manager Page 7

- Membership requirement
- Perpetual license term
- Emergency gambling manager change

Lawful Purposes Page 11

- Lawful purpose codes - deleted, moved, amended, & new
- Electronic transfers/payments allowed for all lawful purpose
- Lawful purpose rating
- Annual standards for 501(c)(3) and (c)(4) organizations
- Prohibition - intent of expenditure may not circumvent lawful purpose

Local Unit of Government Page 8

- Local approval; annual investigation fee

Miscellaneous technical changes Page 18

Organization License Page 6

- License qualifications
- Perpetual license
- Lapsed license
- Summary suspension

Premises Permits and Leases Page 7

- Bar op rent cap removed
- Lease requirements; 30-day termination clause
- Perpetual permit
- Off-site permits

Who May Participate in Lawful Gambling Page 15

Organization Licenses - Effective July 1, 2009

Organization License Qualifications

Members required - An organization must have at least 15 active members at the time of its initial license application, and thereafter the organization must have at least 13 members eligible to vote on gambling matters. [Minn. Stat. 349.16, Subd. 2(c)]

Application information

- The requirement to identify proposed lawful purpose expenditures in a license application is deleted, as is the annual goal for charitable contributions. [Minn. Stat. 349.16, Subd. 2(e)]
- Language pertaining to expense calculation requirements for license renewal was deleted. [Minn. Stat. 349.16, Subd. 2(h)]

Perpetual Organization 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. [Minn. Stat. 349.16, Subd. 3]

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 on which the license was considered lapsed;
4. impose a civil penalty;
5. order corrective action; or
6. summarily suspend the license.

[Minn. Stat. 349.16, Subd. 3a; repealed Minn. Stat. 349.155, Subd. 7]

Information Changes

An organization must notify the Board within ten days when changes in the application information occur. This includes new CEO information, new mailing address, phone number changes, etc. Use the *LG1015 Reporting Organization Information Changes*.

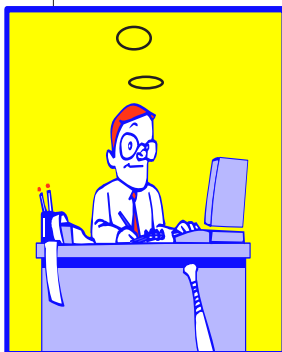
[Minn. Stat. 349.16, Subd. 12]

Summary Suspension

The Board may summarily suspend the license of an organization that:

- 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.) [Minn. Stat. 349.1641(a)(1) and (4)]

WOW! No more license and permit **renewal** applications. That will save us a lot of time. We'll just have to pay the annual fees when the Board sends us the invoice each year.



Gambling Manager Licenses - Effective July 1, 2009

Membership Requirement

A gambling manager must have been an active member for at least the most recent six months at the time of the application for a gambling manager license. Previously the active membership 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. *[Minn. Stat. 349.12, Subd. 19]*

Perpetual Gambling Manager 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. *[Minn. Stat. 349.167, Subd. 2(b) and (c)]*

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 (above) 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.

[Minn. Stat. 349.167, Subd. 2(a), (d), and (e)]

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.)

[Minn. Stat. 349.18, Subd. 1(b)(4)]

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. No lease is required for the conduct of a raffle. *[Minn. Stat. 349.165, Subd. 2; Minn. Stat. 349.18, Subd. 1]*

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. *[Minn. Stat. 349.165, Subd. 1]*

Off-site permits - Language was modified for off-site permits. An organization may conduct off-site lawful gambling on a premises other than its permitted premises if it has submitted an application and lease on Board-provided forms, obtained city or county authorization, and received a permit from the Board. A lease is not required for a raffle. A fee may not be assessed for the permit by the Board, city, or county. An organization may now only 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.

[Minn. Stat. 349.165, Subd. 5, moved from Minn. Stat. 349.18, Subd. 2 which is repealed]

Local Unit of Government - Effective July 1, 2009

Local approval - The Board may not issue a **new** premises permit unless approval is received from the city council of the statutory or home rule city or the county board of the county in which the premises is located. The resolution must have been adopted within 90 days of the date of application for the new permit.

[Minn. Stat. 349.213, Subd. 2]

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. (NOTE: The investigation fee may be imposed if a local gambling tax is not imposed.) *[Minn. Stat. 349.16, Subd. 8]*

Technical - Formatting and grammatical changes were made to make Minn. Stat. 349.213, Subd. 1 easier to read and reference.

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. *[Minn. Stat. 349.166, Subd. 2(a)(3)]*

Technical Changes Related to Licenses and Permits

Bingo rent - The Board's rulemaking authority to establish bingo rent was eliminated, as bingo rent is in law. *[Minn. Stat. 349.18, Subd. 1]*

Exempt permits

- Reference to 349.17, Subd. 5 was deleted from Minn. Stat. 349.166, Subd. 2(a).
- Obsolete reference to paragraph (a), clause (3) was deleted from Minn. Stat. 349.166, Subd 2(b).
- Language in existing Minn. Stat. 349.166, Subd. 2(f) was deleted as it was redundant of language in Subd. 2(e).

Fees - Delete unnecessary language pertaining to the types of fees collected by the Board. *[Minn. Stat. 349.151, Subd. 4(a)(3)]*

Monthly regulatory fee language moved to *Minn. Stat. 349.16, Subd. 6a* from *Minn. Stat. 349.165, Subd. 3(b)*.

Organization license - Language pertaining to an organization seeking licensing primarily for the purpose of evading or reducing the combined receipts tax was deleted. *[Minn. Stat. 349.16, Subd. 2(g)]*

Renewals - The term "**renew**" and related language is deleted because organization licenses, gambling manager licenses, and premises permits will be issued with a perpetual term. *[Minn. Stat. 349.151, Subd. 4(a)(2); Minn. Stat. 349.155, Subd. 3(b); Minn. Stat. 349.155, Subd. 4a (a) and (b); Minn. Stat. 349.16, Subds 6, 9, 10, and 11]*

Q & A Regarding Licenses and Permits

What is meant by a "perpetual license term"?

That means your organization license, gambling manager license, and premises permits, once issued, do not expire and do not have to be renewed. It's an ongoing license and permit with no expiration date but annual fees must still be paid.

We have an existing organization license. Do we have to submit a new application to get the perpetual organization license, gambling manager license, and premises permits?

No. Your existing licenses and permits will automatically remain in effect with your existing effective (anniversary) date. The list of licensed organizations that is published each month on www.gcb.state.mn.us will contain the effective date of each licensed organization.

Do we need to submit new leases for our existing sites?

Not immediately, as your leases remain in effect until their existing term expires, that is, they will expire according to your organization's license expiration date that was in effect at the time of the law change.

EXAMPLE: Your organization's current license has an effective date of April 1, 2008 with an expiration date of March 31, 2010. Your leases in this case would be valid through March 31, 2010.

If you decide to amend the leases before then, you must use the revised lease form available at www.gcb.state.mn.us.

With perpetual gambling manager licenses, does a gambling manager still have to attend a continuing education class each year?

Yes. A gambling manager is still required to attend at least one continuing education class each calendar year.

If a gambling manager's license term is perpetual, may we transfer the gambling manager's license to another person?

No. The license is not transferrable. The new gambling manager must obtain a new gambling manager license by submitting a gambling manager application and fee.

If a gambling manager suddenly quits on the weekend, do we have to shut down our gambling operations?

No. An organization may continue its gambling operation temporarily without a licensed gambling manager. However, your organization's CEO must:

- contact your licensing specialist within one business day (excluding weekends and holidays) to discuss your plans to replace the gambling manager, and
- submit a gambling manager application and license fee within four business days.

Failure to follow these requirements means that your organization must discontinue gambling operations until the new gambling manager receives his or her new license.

Because we no longer have to renew our licenses and permits, are the annual license and permit fees eliminated?

No. Your organization is still required to pay an annual fee for your organization license, gambling manager license, and each premises permit. Each year, before the anniversary date of your license, the Gambling Control Board will mail your organization an invoice for the fees to be paid. Be sure to keep your organization address information updated with the Board so that you receive these invoices.

Is there any change in the process to add a new premises permit?

No. You still need to obtain local government approval, and then submit the application and permit fee to the Board.

Allowable Expenses - Effective July 1, 2009

Advertising limits and Board rulemaking authority pertaining to advertising content were eliminated. The portion of advertising related to lawful gambling is still an allowable expense. [*Minn. Stat. 349.12, Subd. 3a*]

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. An organization that made alternative premises payments in January through June 2009 will be allowed to pay qualifying real estate taxes due for the 2nd half of 2009. [*Minn. Stat. 349.15, Subd. 4 repealed*]

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 its fiscal year. Revenue will provide organizations with a form and instructions.
- √ Financial reviews are eliminated. Previously organizations with gross receipts between \$150,000 and \$300,000 were required to have an annual financial review.
- √ The threshold 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.

[*Minn. Stat. 297E.06, Subd. 4; Minn. Stat. 349.19, Subd. 9*]

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. Organizations whose 21st or 24th month is June 2009 or before must still reimburse any negative expense balances.

[*Minn. Stat. 349.15, Subd. 1(b). Minn. Stat. 349.15, Subd. 5 is repealed 12-31-09*]



IMPORTANT

Technical Changes Related to Allowable Expenses

Compensation

- Subdivision title changed from "Percentage of gross profit paid" to "Compensation paid." [*Minn. Stat. 349.168, Subd. 8*]
- Existing compensation language was repealed from *Minn. Stat. 349.168, Subd. 10* and moved to *Minn. Stat. 349.168, Subd. 8*.
- Existing language pertaining to electronic transfers and payments for payroll compensation moved to *Minn. Stat. 349.19, Subd. 3(g)* from *Minn. Stat. 349.168, Subd. 6 (which was repealed)* and *Minn. Stat. 349.19, Subd. 3(e)*.
- The Board's rulemaking authority to establish a compensation schedule was deleted, and the related compensation penalty provisions were deleted. [*Minn. Stat. 349.168, Subds. 4 and 7 repealed*]

Equipment in inventory - The statutory reference to allowable expense was corrected. [*Minn. Stat. 349.162, Subd. 6*]

Lawful Purpose - Effective July 1, 2009

B codes - Existing Board-approved lawful purposes (code B) were moved, modified, and included as new A codes. *[Minn. Stat. 349.12, Subd. 25(b)(3) to (5)]*

Old code	New code	Description
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A-12 N/A	Obsolete annual audit language deleted; annual audits became an allowable expense effective July 1, 2006.
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N/A A-12	...	Water quality testing (citizen monitoring)
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B-5 A-20	...	Contribution to another licensed organization, with prior Board approval.
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vary A-21	...	Contribution to parent organization, for a state-level program that has received prior Board approval.
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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:
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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.
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B-3(i)	... A-24	...	Acquisition, erection, improvement, or expansion of real property used exclusively for lawful purpose, with prior Board approval.
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B-3(iii)	.. A-25	...	Erection or acquisition of a comparable building, with prior Board approval, to replace an organization-owned building that was:
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- destroyed or made uninhabitable by fire or catastrophe, or
- taken or sold under an eminent domain proceeding.

[Minn. Stat. 349.12, Subd. 25(a)(12), and (a)(20) to (25)]

Annual standards - Change: 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. *[Minn. Stat. 349.154, Subd. 1]*

Electronic payment of lawful purpose expenditures is now allowed. *[Minn. Stat. 349.19, Subd. 3(d), (f), and(h)]*

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." *[Minn. Stat. 349.12, Subd. 25(c)(4)]*

Real property projects 51% completed - For real property projects under codes A-24 and A-25, the project must be 51% completed within 2 years of Board approval. This is an existing requirement moved to Minn. Stat. 349.12, Subd. 25, paragraph (b) from Minn. Stat. 349.19, Subd. 3(b).

**REVISED
AND
NEW LPE
CODES**

NEW

Lawful Purpose - Effective July 1, 2009 (continued)

LAWFUL PURPOSE RATING

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.

<u>% Spent on Lawful Purpose</u>	<u>Rating</u>	
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 minimum 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.

[Minn. Stat. 349.15, Subd. 1(c) and (d)]

Technical Changes Related to Lawful Purpose

Capital assets - Definition modified, changing the expected useful life for property, except gambling equipment, from "at least one year" to "at least two years and a minimum value of \$2,000." *[Minn. Stat. 349.12, Subd. 7]*

Charitable contributions - Technical change due to renumbering of lawful purpose codes. *[Minn. Stat. 349.12, Subd. 7a]*

Disaster relief - Clarifies that lawful purpose reference is to 349.12, subdivision 25, "paragraph (a)". *[Minn. Stat. 349.15, Subd. 1a(1)]*

Schedule C/D report - Existing language pertaining to the required monthly lawful purpose report is moved from *Minn. Stat. 349.154, Subd. 2* and placed and modified with related language in *Minn. Stat. 349.19, Subd. 3(b)*

Tax refund/credit - Deleted reference to code A-12, which is obsolete annual audit language. *[Minn. Stat. 349.19, Subd. 2a(b)]*

Youth activities - Specific reference to section 349.154 "subdivision 3a" added. *[Minn. Stat. 349.12, Subd. 25(a)(7)]*

Q & A - Allowable Expenses and Lawful Purpose

Annual Audit

Our fiscal year ends on July 31, 2009. We estimate that our gross receipts will be approximately \$400,000. Are we still required to have an annual audit done?

No. For fiscal years ending July 31, 2009 and after, only organizations with gross receipts of more than \$500,000 are required to have an annual audit.

Annual Physical Inventory and Cash Count

With the elimination of the financial reviews, are there any annual financial requirements that have to be met?

Yes. Effective July 1, 2009, all licensed organizations, regardless of the amount of their gross receipts, must perform an annual certified physical inventory and cash count. It must be performed at the end of your fiscal year, and the report submitted to Revenue within 30 days.

How do we conduct the annual certified physical inventory and cash count?

Contact the Department of Revenue at 651-297-1772. They will provide a form or format that you must use.

Who may conduct the annual certified physical inventory and cash count?

The count can be done by any two of your members, officers (including treasurer), or employees who are not involved with the conduct of your organization's gambling activities. Or, it can be done by an independent certified public accountant.

Lawful Purpose Rating

The annual goal for charitable contributions and the expense calculation limits were eliminated. Does that mean there are no limits on how we spend our gambling gross profits?

No, there still are limits. Your organization is now required to spend a minimum 30% of gross profits on lawful purpose. Review the "Lawful Purpose Rating" section in this newsletter.

How will the Board determine our lawful purpose rating?

In 2010 the Board will use the information your organization submits for the financial summary report for the period ending June 30, 2010. It is recommended that you use the LG1012 Worksheet for Lawful Purpose Rating to monitor and track your lawful purpose expenditures each month. The minimum goal is 30% each fiscal year of July through June.

Because our bingo expenses are high, we're concerned that we may not achieve the 30% rate of profitability. Will we be allowed to reimburse our gambling account from nongambling funds if we don't meet the minimum rate?

No. Because the purpose of the rating is to ensure that organizations spend a minimum of their **gambling** gross profits for lawful purpose, reimbursement is no longer allowed.

Expense Calculations

We're in the middle of our existing two-year license term and have negative expense calculations. What are we required to do?

It all depends on when your license period started. Use the following table as your guideline.

Organization license period start date	Reimbursement required	
	21st month	24th month
July 1, 2007 or earlier	Yes	Yes
August 1, 2007 to October 1, 2007	Yes	No
November 1, 2007 or later	No	No

Q & A - Allowable Expenses and Lawful Purpose (continued)

Repairs for Building

We've always received Board approval for some repairs to the building our organization owns. With the change to lawful purpose for building repairs, how do we know when Board approval is required?

Use guidelines contained in the new "LG267 Worksheet for Code A22 Real Property and Capital Assets" to guide you through the process, or contact your compliance specialist. The worksheet is available at www.gcb.state.mn.us.

How do we report an expenditure that doesn't require Board approval for a repair to our organization-owned building?

Report the expenditure on the revised LG1010 Schedule C/D as Code A22, and track the expenditure on the new LG267 Worksheet.

Capital Assets

Our organization plans to purchase a lawn mower for our youth baseball association. Do we need Board approval to purchase the equipment?

It depends.

- If the total expenditure for the mower will be over \$2,000, prior Board approval is required. Use form LG266.
- If it will be under \$2,000, then Board approval is not required.

Use the new "Guidelines: Real Property and Capital Assets Used Exclusively for Lawful Purpose" (available at www.gcb.state.mn.us) to guide you, or contact your compliance specialist.

Alternative Premises Payment

Why did you get rid of the alternative premises payment? Our real estate taxes aren't very high so we have always used the alternative payment.

This provision was eliminated because organizations that own their buildings are allowed to pay utility expenses and are now allowed more flexibility to do repair and maintenance on the building without Board approval. The ability to pay your property taxes as lawful purpose remains.

Since the alternative premises payment is no longer allowed after July 1, 2009, are we allowed to pay the 2nd half of our real estate taxes for this year as a lawful purpose?

Yes, even if you elected to pay an alternative payment in lieu of paying real estate taxes, you may pay the 2nd half of the real estate taxes since the alternative payment is no longer allowed.

Who May Participate in Lawful Gambling - Effective July 1, 2009

AGE RESTRICTIONS

Bingo - A person under 18 may not participate as a player in a bingo game or in the conduct of a bingo game. Change is persons under 18 may no longer be involved in the conduct of bingo.

Exceptions: A person under 18 may participate as a player in a bingo game:

- conducted by an organization exempt or excluding from licensing, or
- conducted by an organization as part of an annual community event if the person under 18 is accompanied by a parent or guardian. (The restriction of one event was removed.)

Pull-tabs, tipboards, or paddlewheels - A person under 18 may not participate as a player or in the conduct of these games.

Raffles - A person under 18 may not participate as a player in a raffle. However, a person under 18 may sell raffle tickets.

[moved to *Minn. Stat. 349.181, Subd. 1(a)* from *Minn. Stat. 349.2127, Subd. 8* which is repealed]

GAMBLING MANAGER

A gambling manager may not participate directly or indirectly as a player in pull-tabs, tipboards, bingo, paddlewheels, and raffles conducted by the organization for which the gambling manager is licensed. Change is that the gambling manager is no longer allowed to purchase raffle tickets [*Minn. Stat. 349.181, Subd. 2*]

ORGANIZATION AND LESSOR EMPLOYEES AND VOLUNTEERS

Volunteer means a person who is not compensated by an organization but performs activities in the conduct of lawful gambling for that organization (including bartenders).

Bingo - An employee or volunteer who is involved in the conduct of any lawful gambling during a bingo occasion may not participate directly or indirectly as a bingo player during that bingo occasion.

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.

Pull-tabs, tipboards, and paddlewheels - An employee or volunteer who is involved in the conduct of pull-tabs, tipboards, or paddlewheels at a permitted premises may not participate directly or indirectly as a player in those games at that same premises. This restriction is in effect until six weeks after the employee or volunteer is no longer involved in the conduct of those games at that same premises.

Conduct of pull-tabs, tipboards, and paddlewheels includes selling tickets, redeeming tickets, auditing games, making deposits, spinning the paddlewheel, and conducting inventory. [*Minn. Stat. 349.181, Subd. 3*]

Posting not required - The requirement was deleted that pull-tab and tipboard games must be posted so that the following persons could play those games at the site:

- nongambling employees, and
 - gambling employees not involved in the sale of pull-tabs and tipboards at the premises.
- [*Minn. Stat. 349.18, Subd.1(g) and (h)*]

LESSOR

The lessor of a permitted premises may not participate directly or indirectly as a player in any lawful gambling conducted at that premises. [*Minn. Stat. 349.181, Subd. 4*]

LESSOR'S IMMEDIATE FAMILY

The lessor's immediate family may not participate directly or indirectly as a player in a pull-tab, tipboard or paddlewheel game conducted at that premises. [*Minn. Stat. 349.181, Subd. 5*]

Who May and May Not Participate in Lawful Gambling

(Minnesota Statute 349.181)

	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 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 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 during a bingo occasion.	Yes
Age restrictions	<ul style="list-style-type: none"> • Must be 18 and older to conduct these games • Must be 18 and older to play these games 	<ul style="list-style-type: none"> • Must be 18 and older to conduct bingo • Must be 18 and older to play bingo. EXCEPTIONS: A person under 18 may play bingo: <ul style="list-style-type: none"> - 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. 	<ul style="list-style-type: none"> • 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.

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.

Conduct pull-tabs, tipboards, and paddlewheels includes:

- selling tickets,
- redeeming tickets,
- auditing games,
- making deposits,
- spinning the paddlewheel, and
- conducting inventory.

Bingo - Effective July 1, 2009



Bar bingo - 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." [Minn. Stat. 349.17, Subd. 7(2)]

Language pertaining to who may participate in bar bingo was moved from Minn. Stat. 349.17, Subdivision 7(4) and clarified in Minn. Stat. 349.181.

Bingo cards/sheets - Existing requirements for bingo hard card and paper sheets were moved to Minn. Stat. 349.17, Subdivision 5(c) from Minn. Stat. 349.17, Subdivision 6(a).

Bingo winner (alternative games allowed) - A bingo game is won when a player, using bingo paper, bingo hard card, or a facsimile of a bingo paper sheet, has completed, as described in the bingo program, a *previously designated pattern or previously determined requirements of the game* and declared bingo. The game is completed when a winning card, sheet, or facsimile is verified and a prize awarded pursuant to subdivision 3. [Minn. Stat. 349.17, Subd. 6]

Electronic bingo device - Language modified to clarify that a player "activates" (electronically daubs) a called bingo number when using an electronic bingo device. [Minn. Stat. 349.12, Subd. 12a and Minn. Stat. 349.17, Subd. 6]

Progressive prizes - A progressive bingo prize or a linked bingo prize may be awarded by check within three business days of the day on which the occasion was conducted. [Minn. Stat. 349.17, Subd. 3]

Games and Equipment - Effective July 1, 2009

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." [Minn. Stat. 349.12, Subd. 18]

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. [Minn. Stat. 349.12, Subd. 32a]

Raffles

- A debit card may be accepted for the purchase of a raffle ticket. If the payment is dishonored, the organization must reimburse its gambling account for the amount of the dishonored payment. (NOTE: The sale of raffle tickets using the Internet is still not allowed.) [Minn. Stat. 349.2127, Subd. 7]
- Raffle ticket information is moved from Minn. Stat. 349.12, Subd. 33 and consolidated in Minn. Stat. 349.173(a).
- Language was deleted that pertained to raffles conducted by an organization that directly or under contract to the state or a political subdivision delivers health or social services and that is a 501(c)(3) organization if the prizes awarded in the raffles are real or personal property donated by an individual, firm, or other organization. [Minn. Stat. 349.166, Subd. 3 repealed]

Tipboard games are considered complete when the seal on the game flare is uncovered "or the organization does not continue the play of the deal during the next scheduled period of time in which the organization will conduct tipboards." [Minn. Stat. 349.19, Subd. 2(d)]

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. [*Minn. Stat. 349.151, Subd. 4(a)(10) and 4(b)*]

Commercialization - The Board mandate to prevent the commercialization of lawful gambling was deleted. [*Minn. Stat. 349.11*]

Conduct on leased premises - Obsolete language pertaining to selling paddlewheel or tipboard tickets "within the permitted premises" and redeeming winning tickets "within the leased premises" was deleted. [*Minn. Stat. 349.18, Subd. 1(i)*]

Credit & sales restrictions and requirements - Technical changes to clarify that:

- restrictions for credit and sales to delinquent licensees also apply to "leased" gambling equipment,
- a manufacturer may not offer or extend credit for more than 30 days to a "linked bingo game provider,"
- a manufacturer must notify the Board if a "linked bingo game provider" is delinquent in payment, and
- invoices must state "Notice: State Law Prohibits the Extension of Credit for This Sale or Lease For More than 30 Days."

[*Minn. Stat. 349.191, Subds. 1, 1a, 1b, 2, 3, and 4*]

Electronic fund transfers - Clarifies that checks or authorizations for electronic fund transfers must be signed by least two persons authorized by board rules to sign the checks "or authorizations." [*Minn. Stat. 349.19, Subd. 3(d)*]

Gambling bank account

- Clarifies that lawful gambling gross receipts are placed in a separate "gambling bank" account. [*Minn. Stat. 349.19, Subd. 2(a)*]
- Clarifies that "expenses" means "allowable expenses" made from the separate account. [*Minn. Stat. 349.19, Subdivision 2(b)*]

Gross receipts language pertaining to rental proceeds was moved to the "Gross receipts" definition in *Minn. Stat. 349.12, Subd. 21* from *Minn. Stat. 349.18, Subd. 3* which is repealed.

LINKED BINGO GAME PROVIDERS

Attachment to application - A linked bingo game provider must attach to their license application a proposed fee schedule for the cost of providing services and equipment to licensed organizations. [*Minn. Stat. 349.1635, Subd. 3(2)*]

Pricing report; sales at filed price - Clarifies that "linked bingo game providers" are required to file with the Board the prices at which gambling equipment will be offered for sale, and to sell gambling equipment at the price filed with the Board. [*Minn. Stat. 349.169, Subd. 1 and 3*]

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 government appropriations bill (Senate File 2082).

Revised or New Forms

The following forms have been revised or are new forms based on legislative changes. The forms are available on our web site at www.gcb.state.mn.us.

- LG200A Organization License Application
- LG200C 501(c)(3) Organization and 501(c)(4) Festival Organization
- LG202 Internal Control Guidelines Worksheet
- LG204 License Termination Plan
- LG212 Gambling Manager Application
- LG215 Lease for Lawful Gambling Activity
- LG216 Worksheet for Calculating Lawful Gambling Monthly Rent
- LG230 Application to Conduct Off-site Gambling (combined with lease)
- LG250 Fund Loss Request (Profit Carryover Adjustment)
- LG266 Request for Real Property or Capital Assets Used Exclusively for Lawful Purpose
- **NEW** LG267 Worksheet for Code A22 Real Property or Capital Assets
- **NEW** LG268 Request for Replacement Building Meeting ADA Requirements
- **NEW** LG269 Request to Exceed Annual Limit for Code A22 Real Property or Capital Assets
- LG270 Request to Contribute Gambling Funds to Another Licensed Gambling Organization
- LG555 Government Approval or Acknowledgment for Use of Gambling Funds
- LG913 Bingo Program Check List
- **REVISED FORMAT** LG1010 Schedule C/D and instructions
- **NEW** LG1012 Worksheet for Lawful Purpose Rating
- LG1016 Reporting Gambling Manager Information Changes

Inspection Check Lists

- LG853 Pull-tab Inspection Check List
- LG854 Pull-tab Dispensing Device Inspection Check List
- LG855 Paddlewheel (without Paddlewheel Table) Inspection Check List
- LG856 Paddlewheel with Table Inspection Check List
- LG857 Tipboard Inspection Check List
- LG859 Bingo Inspection Check List

Discontinued Forms (obsolete)

- LG261 Request to Repair or Maintain Property (refer to new LG267-W)
- Worksheet EC - Lawful Gambling Expense Calculation (maintain through June 30, 2009)
- Worksheet ADV - Lawful Gambling Advertising Expenses (maintain through June 30, 2009)

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

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States offices will be closed on July 3, 2009 for Independence Day and September 7, 2009 for Labor Day.

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

TRENDS in LAWFUL GAMBLING GROSS RECEIPTS

NOTE: Figures for the current calendar year are subject to change due to amended, corrected, or late tax returns.

	2009	% Change from 2008	2008	% Change from 2007	2007
January	\$82,477,000	-6.44	\$88,150,000	-15.94	\$104,868,000
February	\$82,100,000	-7.71	88,954,000	-11.16	100,125,000
March			98,210,000	-17.07	118,428,000
April			93,970,000	-11.76	106,494,000
May			93,826,000	-10.41	104,729,000
June			87,521,000	-12.87	100,453,000
July			88,704,000	-13.48	102,520,000
August			89,737,000	-15.42	106,100,000
September			86,794,000	-15.77	103,046,000
October			90,371,000	-6.30	96,444,000
November			81,322,000	-12.07	92,485,000
December			78,661,000	-11.39	88,770,000
	\$164,577,000	-7.07%	\$1,066,220,000	-12.92%	\$1,224,462,000

LAWFUL PURPOSE EXPENDITURES (includes taxes and fees)

January 2009 \$6,870,000
 February 2009 \$7,072,000

AGENCY INDEX

Gambling Control Board

www.gcb.state.mn.us
 Roseville ----- 651-639-4000
 St. Peter ----- 507-931-5112
 Hibbing ----- 218-262-7301
 Fergus Falls ----- 218-739-7402

Department of Revenue

www.taxes.state.mn.us
 Lawful Gambling Tax Unit ----- 651-297-1772
 Email: lawfulgambling.taxes@state.mn.us

Department of Public Safety www.dps.state.mn.us
 Alcohol & Gambling Enforcement ---- 651-201-7500
 Minnesota's Bookstore ----- 1-800-657-3757
 www.minnesotasbookstore.com 651-297-3000
 Internal Revenue Service
 Forms ----- 1-800-829-1040
 Questions ----- 651-312-7716
 Minn. Problem Gambling Helpline ----- 1-800-333-HOPE
 http://www.nojudgment.com