



Minnesota Gambling Control Board

GAMING NEWS

May/June 2005

DIRECTOR'S COLUMN Tom Barrett, Executive Director

2005 Legislative Changes Take Effect

The Governor signed the lawful gambling bill on Friday, June 3, 2005. Most of the changes go into effect on August 1, 2005. The bill contains many positive changes for the lawful gambling industry. Significant changes were made for the conduct of bingo, bingo rent reform, and the definition of raffles.

Texas Hold'em, the new game in town, is defined as a social skill game, and as such is not under the jurisdiction of the Gambling Control Board (see page 9). However, we will be taking a keen interest in its conduct. A key point is that **no entry fee** or other consideration is allowed in order to participate in a Texas Hold'em tournament or contest, and that the value of all prizes awarded to an individual winner of a tournament may not exceed \$200 per day. Be mindful of these restrictions to ensure that the activity remains legal at your lawful gambling sites.

A comprehensive summary of all legislative changes is included in this newsletter.

Gambling managers and CEO's -- it is critical for your organization to be up-to-date with the changes. Plan on attending a continuing education class on the legislative updates. Most classes will be conducted twice on the same day at the same location at 2 pm and 7 pm. Refer to the class schedule on Page 2 for details.

Staff has begun the process of updating and revising forms and publications which will be available in July at www.gcb.state.mn.us.

The *Lawful Gambling Manual* will also be updated to include recent rule and legislative changes. It is anticipated that the manual will be available later this fall. We'll keep you posted!

It is anticipated that the Board will begin a rules process this summer to address the legislative changes which require the promulgation of rules. The Board will also delete obsolete rules that occurred as a result of legislative changes. Stay tuned for updates on the rules process.

Be sure to check the "What's New" feature at www.gcb.state.mn.us (near the top of the page) where you'll find links to up-to-date information regarding Gaming News, revised forms and publications, legislative and rules updates, changes in continuing education classes, and more.

Continuing Education

Preregistration is not required for continuing education classes.
Classes are free and open to the public.

**Most classes conducted in June
will be held during the day at 2 p.m.
AND
repeated in the evening at 7 p.m.**

June 9, 2005 Thursday 7 p.m. only	University of Minnesota Rooms A, B, & C Conference Center Building Highway 2, Crookston	2005 Legislative Update
June 16, 2005 Thursday 2 p.m. & 7 p.m.	Riverland Community College Room to be determined 2200 Technical Drive, Albert Lea	2005 Legislative Update
June 16, 2005 Thursday 2 p.m. & 7 p.m.	Best Western Kelly Inn Sunwood Center Congress/Senate 100 4th Avenue South, St. Cloud	2005 Legislative Update
June 22, 2005 Wednesday 2 p.m. & 7 p.m.	Gambling Control Board Suite 300 South (use south doors) 1711 West County Road B, Roseville	2005 Legislative Update

No continuing education classes will be conducted in July 2005.

August 4, 2005 Thursday 2 p.m. and 7 p.m.	Gambling Control Board Suite 300 South (use south doors) 1711 West County Road B, Roseville	2005 Legislative Update
August 16, 2005 Tuesday 2 p.m. and 7 p.m.	Southeast Technical College Room 205 main campus Park near entrance E 1250 Homer Road, Winona	2005 Legislative Update
August, 2005	Duluth - date and location pending	2005 Legislative Update
September 20, 2005 Tuesday 2 p.m. and 7 p.m.	Gambling Control Board Suite 300 South (use south doors) 1711 West County Road B, Roseville	Common Problems
September 21, 2005 Wednesday 2 p.m. and 7 p.m.	South Central College Conference Room C - park in blue lot on north side of building, use Door No. 15 1920 Lee Blvd, North Mankato	Common Problems
September 2005	Fergus Falls - date and location pending	Common Problems

A complete listing of classes for 2005 is available at www.gcb.state.mn.us. Under Education, click on Continuing Education Classes.

Gambling Manager Seminars
For information or to register, contact Judy Bailey at:
• 651-639-4055, or
• judy.bailey@gcb.state.mn.us

CITATION REPORT

Licensee	Violation	Citation
Citations Paid in February, March, and April 2005		
<u>Licensee</u>	<u>Violation</u>	<u>Amount</u>
• American Legion Post 164 Stewartville license 1093	Significant variances on gambling fund reconciliation.	\$ 500
• Hackensack Fire Department license 2654	Repeatedly failed to comply with GCB request for information.	\$ 500
• Hinckley Lions Club , license 1803 license 1803	Internal accounting and administrative controls insufficient.	\$ 500
• Hitterdal Lions Club license 2015	Filed inaccurate reports repeatedly with the Department of Revenue.	\$ 500
• Minnesota Lakes Assn , Brainerd license 5118	Expense calculations negative at 12 th month and gambling account reimbursed late.	\$ 500
• Caledonia Volunteer Fire Dept Relief Assoc , license 34760 license 34760	Expense calculations negative at 12 th month and gambling account reimbursed late.	\$ 450
• Arrow International Inc , Brooklyn, OH license MA16	Manufacturer produced winning pull-tabs easily identifiable due to printing error.	\$ 400
• Starbuck Jaycees , license 1315 license 1315	Deposits not made in four business days.	\$ 400
• VFW Post 2816 Isle , license 238 license 238	Repeatedly failed to comply with GCB request for documentation.	\$ 400
• Watertown Lions Club , license 1473 license 1473	Failed to accurately report the value of prizes paid and unsold tickets on the Schedule B2.	\$ 400
• Mille Lacs Drift Skippers Snowmobile Club , Isle, license 4206 license 4206	Gambling equipment not secured.	\$ 350
• Rice Lions Club , license 1153 license 1153	Accounting and administrative internal controls insufficient.	\$ 350
• Robbinsdale Jaycees , license 1833 license 1833	Repeatedly failed to comply with GCB request for documentation.	\$ 250
• Climax Community Club , license 1246 license 1246	Prize receipts not in compliance.	\$ 200
• International Gamco , Omaha, NE license MA10	Manufacturer shipped pull-tab deal to Minnesota distributor with flare and bar code not matched.	\$ 200
• VFW Post 246 Aux Minneapolis license 3889	Physical and perpetual inventory do not correspond.	\$ 150
• American Legion Post 567 , St. Michael license 332	Operated pull-tab game in a manner that tends to deceive the public.	\$ 100
• Bejou Roughriders Snowmobile Club license 31368	Serial number for pull-tab deal put into play did not match serial number on flare.	\$ 100
• Climax Community Club , license 1246 license 1246	Serial number on pull-tabs did not match serial number on flare.	\$ 100
• Hill Murray Father Club , Maplewood license 4098	Rule change for pull-tab buy out games not posted.	\$ 100
• Altura Volunteer Fire Co Relief Assoc license 4240	Checks not signed by two active members.	\$ 50
• American Legion Post 76 , St. Cloud license 66	Made erroneous deposit into gambling account.	\$ 50
• Evansville Firemens Relief Assoc license 2399	Improper expenditure made from nongambling account. ...	\$ 50
• Franklin Lions Club license 2804	Checks not signed by two active members.	\$ 50
• Lake Sullivan Assoc , Plymouth license 3118	Improper expenditure made from nongambling account. ...	\$ 50
• White Bear Lake Basketball Assoc license 4934	Improper expenditure made from nongambling account. ...	\$ 50

(continued on Page 5)

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
Millennium Charity Plus Inc., Little Canada License 00393	<ul style="list-style-type: none"> • Made expenditures of gambling funds which do not qualify as a lawful purpose expense. • Failed to maintain internal controls sufficient to protect the integrity of its lawful gambling. • Conducted lawful gambling without the sufficient supervision of a licensed gambling manager. • Consistently expended gambling gross profits in excess of statutory limits. • Violated terms of a consent order. 	<ul style="list-style-type: none"> • Lawful gambling license revoked for two years. • File license termination plan.
Crosslake Lions Club, license 01487	<ul style="list-style-type: none"> • Conducted a raffle in violation of Minnesota Rules. • Allowed the lessor's immediate family to participate as a player in the conduct of lawful gambling on the leased premises, Manhattan Beach Lodge in Manhattan Beach. • Filed inaccurate information with the Department of Revenue. • Failed to make deposit of gambling receipt within 4 business days of the close of the game. 	<ul style="list-style-type: none"> • \$1,000 civil penalty. • File corrective action plan.
Climb, Inc., Inver Grove Heights, license 02002	<ul style="list-style-type: none"> • Illegal gambling occurred at the lawful gambling site Kountry Krossroads in Pike. 	<ul style="list-style-type: none"> • Premises permit for Kountry Krossroads suspended for 2 consecutive days.
Community Charities of Minnesota, Mankato, license 02650	<ul style="list-style-type: none"> • Illegal gambling occurred at the lawful gambling site Pints Pub in Rochester. 	<ul style="list-style-type: none"> • Premises permit for Pints Pub suspended for 90 days.
Dover Fire Relief Association, license 03056	<ul style="list-style-type: none"> • Illegal gambling occurred at the lawful gambling site Boomers Bar in Rochester. 	<ul style="list-style-type: none"> • Premises permit for Boomers Bar, Rochester suspended for 90 days.
American Legion Post 85, North Branch, license 00140	<ul style="list-style-type: none"> • Failed to complete and file an annual audit or financial review for fiscal years ending December 2003. 	<ul style="list-style-type: none"> • \$250 civil penalty.
Cambridge Isanti Hockey Assoc., Isanti, license 03817	<ul style="list-style-type: none"> • Conducted lawful gambling at two sites without the required permits. • Conducted lawful gambling without the supervision of a licensed gambling manager. 	<ul style="list-style-type: none"> • \$750 civil penalty. • File corrective action plan.

Licensee	Consent Order Allegations	Consent Order Requirements
Chamber of Commerce Byron Area, license 05908	<ul style="list-style-type: none"> • Illegal gambling occurred at the lawful gambling site 3-D's Sports Bar in Byron. 	<ul style="list-style-type: none"> • Premises permit for 3-D's Sports Bar suspended for 30 days.
Elks Lodge 414 Austin, license 00842	<ul style="list-style-type: none"> • Allowed its gambling employee to participate as a player in the conduct of lawful gambling on the leased premises, Lefty's Bar in Austin. • Conducted lawful gambling without sufficient supervision of a licensed gambling manager. 	<ul style="list-style-type: none"> • Premises permit for Lefty's Bar suspended for 30 days. • \$500 civil penalty. • File corrective action plan.
St. Cloud Area Golden Gloves Boxing, license 03425	<ul style="list-style-type: none"> • Failed to deposit all gambling receipts into its gambling bank account. • Failed to maintain accurate physical and perpetual inventory systems, and to reconcile the records on a monthly basis. • Filed false and inaccurate information with the Department of Revenue. 	<ul style="list-style-type: none"> • Lawful gambling license suspended for 14 days. • File corrective action plan. • CEO must attend the gambling manager seminar and pass the exam. • Reimburse gambling account for undeposited gambling receipts. • Focused compliance review.

Citation Report - continued

The following organizations failed to file with the Gambling Control Board all required Schedule C/D information and were each issued a \$100 citation:

- **American Legion Post 47 Hastings**, license 54
- **American Legion Post 49 Aux**, Pequot Lakes, license 2957
- **Armstrong Youth Hockey Assoc**, New Hope, license 5723
- **Carlos Lions Club**, license 5899
- **Eagles Aerie 3486 Karlstad**, license 1585
- **Eagles Aerie 2663 Rush City**, license 714
- **Milaca Firefighters Relief Assoc**, license 2413
- **Moose Lodge 2023 Grand Rapids**, license 340
- **St. Joseph Jaycees**, license 3011
- **VFW Post 6583**, Circle Pines, license 3

Drawings and Raffles

Reminder: Raffles are drawings where persons pay for a chance (ticket) to win a prize.

Because raffles seem common, some organizations and their members may not think of raffles as gambling. However, raffles are one of the five forms of lawful gambling that are regulated by the Gambling Control Board.

Notify Board When Officers Change!

Organizations are required to notify the Gambling Control Board **within 10 days** whenever new officers are elected or any officers change addresses. This notification applies to CEO's, presidents, commanders, quartermasters, treasurers, etc.

Too much mail (including license renewals) is being returned to the GCB, because officer names and addresses are not current.

Don't jeopardize your organization's license! Use the *LG200B Organization Officer Affidavit* to tell us when your officers change or move. And do not wait until renewal time—as failure to report the officer and address changes within the required 10 days may result in a citation (fine).

Failure to deposit the receipts into the gambling account, report the activity, and maintain records to account for the raffle may subject your organization to disciplinary action.

Tax Refunds Mailed

On May 12, 2005, the Department of Revenue issued 1,233 unsold ticket tax refunds to licensed organizations. The total amount refunded was \$3,871,843. If you haven't received your refund, contact the Department of Revenue at 651-297-1772.

2005 Legislative Changes



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• Bar bingo defined, rent; noon hour definition deleted	
• Bingo occasion redefined	
• Bingo discrepancy report required for cash discrepancies over \$50	
• Bingo electronic devices	
Board powers and duties; director duties	Page 15
Charitable contributions defined	Page 15
Employee participation in lawful gambling	Page 12
• Nongambling employees may participate, with restrictions	
• Gambling employees may purchase tipboards, with restrictions	
Lawful purpose	Pages 7-8
• A codes modified for A-2 poverty, homelessness, or disability; A-3 problem gambling; delayed posttraumatic stress syndrome deleted; A-6 recognizing military service; A-9 real estate taxes; A-12 annual audits; and A-13 wildlife management projects & trails, safety training and education	
• New code A-19 humanitarian service	
• Renumbering of A codes (A-14 through A-18)	
• LPE summary	Page 18
Licenses, rent; Excluded and exempt permits	Page 13-14
• Bingo hall license requirement repealed	
• Gambling manager dishonesty bond	
• Mandatory disqualifications for officers modified	
• Annual goal required for charitable contributions	
• Rent limits for bingo established by statute; all-inclusive	
• Rent payment may be withheld at premises where illegal gambling conducted	
• Excluded raffles under \$1,500 not required to be registered with Board	
• Exempt permits: penalty for failure to file timely report; raffle with membership solicitation or membership dinner	
Local authority	Page 15
• Local authority for prohibition of requiring license or permit expanded	
• Sharing of information with Board required for cities and counties that impose local gambling tax	
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• Players must sign placard for games with 32 or more tickets	
• Prize limit increased to \$599	

Legislative Changes - Effective June 4, 2005

Lawful Purpose Expenditures

Lawful purpose amended

A-2 Poverty, homelessness, or disability

- The reference to "*physical or mental*" disability was deleted.
- Expenditures may be made (to vendor) for goods and services for an individual or family suffering from poverty, homelessness, or disability, in addition to contributions directly to such an individual or family.

[Minnesota Statute 349.12, Subd. 25(a)(2)]

A-3 Posttraumatic stress syndrome; Problem gambling

- The authorization for contributions to an individual for treatment for delayed posttraumatic stress syndrome was deleted (still allowed but under A-2 as a disability).
- "Treatment of compulsive gambling" was changed to "treatment of problem gambling" to reflect terminology used by the Department of Human Services.

[Minnesota Statute 349.12, Subd. 25(a)(3)]



A-6 Recognizing military service

- "Humanitarian service" was deleted from the A-6 code and is a new and separate code A-19.
- Contributions to or expenditures may be made for active military personnel and their immediate family members in need of support services.

[Minnesota Statute 349.12, Subd. 25(a)(6)]

A-9 Real estate taxes

- Payment of real estate taxes and assessments may be made on permitted premises used for lawful gambling and owned by the licensed organization paying the taxes. The requirement that the permitted premises be wholly owned was deleted.
- Limits were removed on the amount of real estate taxes that may be paid by licensed organizations on owned or wholly leased permitted premises.
- **The changes to code A-9 become effective January 1, 2006.**

[Minnesota Statute 349.12, Subd. 25(a)(9)]

A-12 Annual audit

- The cost of an annual audit is a lawful purpose expenditure if it is paid prior to June 30, 2006 and filed in a timely manner with the Department of Revenue.
- The cost of an annual audit becomes an allowable expense when paid after June 30, 2006.

[Minnesota Statute 349.12, Subd. 25(a)(12)]

A-13 Wildlife management projects and trails

- Code A-13 (wildlife management projects) and code A-14 (snowmobile and ATV trails) have been combined with new language into code A-13.
- The Department of Natural Resources (DNR) must approve a contribution or expenditure on projects or activities for the following:
 - wildlife management projects that benefit the public at large
 - grant-in-aid maintenance and grooming for snowmobile, ATV, and other trails open to public use, including purchase or lease of equipment for this purpose
 - supplies and materials for safety training and educational programs coordinated by the DNR, including the Enforcement Division

[Minnesota Statute 349.12, Subd. 25(a)(13)]

Legislative Changes - Effective June 4, 2005

Lawful Purpose Expenditures (continued)

Lawful purpose - humanitarian service

A-19 Humanitarian service

- A contribution or expenditure may be made to honor an individual's humanitarian service as demonstrated through philanthropy or volunteerism to the United States, the state of Minnesota, or to the local community.
[Minnesota Statute 349.12, Subd. 25(a)(19)]

LPE codes renumbered

Renumbering of lawful purpose codes

Because codes A-13 and A-14 were combined, renumbering of lawful purpose codes was required.

- A-14 conducting nutritional programs, food shelves, and congregate dining programs for persons who are age 62 or older or disabled
- A-15 to community arts organizations or expenditures to fund arts programs in the community
- A-16 for utility costs (fuel for heating, water, electricity, and sewer costs) for building wholly owned or wholly leased by licensed veteran organizations and used as their primary headquarters
- A-17 for meals and other membership events of licensed veterans organization, limited to members and spouses only, held in recognition of military service (limit \$5,000 per year for all organizations at post home)
- A-18 fees paid to the state (Gambling Control Board) for organization license, premises permits, and gambling manager license
[Minnesota Statute 349.12, Subd. 25(a)(14) through (18)]

LAWFUL PURPOSE QUESTIONS AND ANSWERS

If the DNR approves the purchase of snowmobile trail grooming equipment, do we need to obtain approval from the Gambling Control Board?

Yes. The acquisition of capital assets, such as a trail groomer, requires prior approval of the Gambling Control Board. To document DNR approval, use form LG555 Government Approval or Acknowledgment For Use of Gambling Funds.

If we lease snowmobile trail grooming equipment, do we need approval from the Gambling Control Board?

No. However, you must obtain the approval of the DNR, using form LG555 Government Approval or Acknowledgment For Use of Gambling Funds.

Our organization is a 501(c)(3) with a primary mission of wildlife projects. Do we need DNR and Gambling Control Board approval for our projects?

As a 501(c)(3) organization with a primary mission of wildlife projects, you do not need approval from the Board for your primary mission projects. Check with the DNR to determine if DNR authorization is required for your projects.

Our veterans organization has a premises permit for the building we own and use for our post home. We lease out an apartment on the second floor. May our veterans organization pay utility costs (under code A-16) for the building?

No. The requirement that a building be wholly owned by veterans organizations to qualify for utility expenses was not changed (but the law change does allow the payment of property taxes).

Legislative Changes - Effective June 4, 2005

Raffles

Raffle definition amended

The definition of raffles was amended to allow "certificates of participation."

- "Raffle" means a game in which a participant buys a ticket or other certificate of participation in an event where the prize determination is based on a method of random selection and all entries have an equal chance of selection.
- The ticket or certificate of participation must include the location, date, and time of the selection of the winning entries.

[Minnesota Statute 349.12 Subd. 33]

Raffle tickets or certificates of participation at a minimum must list the three most expensive prizes to be awarded. If additional prizes will be awarded, a complete list of additional prizes must be publicly posted at the event and copies of the complete prize list made available upon request.

Raffles must be conducted in a manner that ensures:

1. all entries in the raffle have an equal chance of selection,
2. entry in the raffle is not conditional upon any other purchase,
3. the method of selection is conducted in a public forum,
4. the method of selection cannot be manipulated or based on the outcome of an event not under the control of the organization,
5. presence at the raffle is not a requirement to win, and
6. all sold and unsold tickets or certificates of participation are accounted for.

Methods of selecting winning entries from a raffle other than prescribed in rule may be used with the prior written approval of the Gambling Control Board.

[Minnesota Statute 349.173 (a), (b), and (c)]

RAFFLE QUESTIONS AND ANSWERS

Are "duck races" now considered a legal form of a raffle?

Yes, if all conditions in conducting the raffle/event are satisfied (see 1-6 above).

Are "NASCAR boards" now considered a legal form of a raffle?

No.

Texas Hold'em Tournaments

Texas Hold'em allowed with restrictions

Texas Hold'em tournaments or contests are allowed with the following restrictions:

- The tournament or contest may not provide any direct financial benefit to the promoter or organizer
- No person under the age of 18 may participate.
- **No entry fee or other consideration for participated is allowed.**
- The value of all prizes awarded to an individual winner at a location may not exceed \$200 each day.
- Reasonable accommodations must be made for players with disabilities. Accommodations to the table and cards shall include the announcement of cards visible to the entire table and the use of Braille cards for players who are blind.

[Minnesota Statute 609.761, Subd. 3]

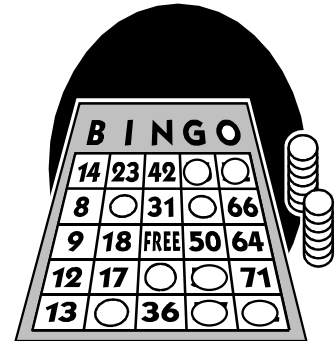
If you have questions regarding the conduct of Texas Hold'em tournaments, contact the Alcohol and Gambling Enforcement Division (Department of Public Safety) at 651-296-6159.

Legislative Changes - Effective August 1, 2005

Bingo

Bar bingo defined

- "Noon hour bingo" was deleted and defined as "bar bingo."
- "Bar bingo" is a bingo occasion conducted at a permitted premises in an area where:
 - intoxicating liquor or 3.2 percent malt beverages are sold, and
 - the licensed organization conducts another form of lawful gambling.
- Bar bingo must be conducted using bingo paper sheets purchased from a licensed distributor.
- Linked bingo games may not be conducted at a bar bingo occasion.
- No rent may be paid for bar bingo.
[Minnesota Statute 349.12, Subd. 3c]
[Minnesota Statute 349.17, Subd. 7]
[Minnesota Statute 349.18, Subd. 1(c)(2)]



Bingo occasion definition amended

The following were repealed:

- limit of 10 bingo occasions conducted each week by an organization
- minimum number of games (15) conducted at a bingo occasion
- minimum and maximum length of hours (1-1/2 to 4 hours) required for a bingo occasion
[Minnesota Statute 349.17, Subd. 1 Repealed]

"Bingo occasion" means a single gathering or session at which a series of one or more successive bingo games is played. There is no limit for the number of games conducted during a bingo occasion but a bingo occasion must not last longer than 8 consecutive hours.

[Minnesota Statute 349.12, Subd. 5]

- The limit of 21 bingo occasions that could be conducted each week by all organizations at a "bingo hall" premises was repealed.
[Minnesota Statute 349.164, Subd. 6(8) Repealed]

Bingo occasion discrepancy

The amount of a bingo occasion cash discrepancy that must be reported to the Gambling Control Board within five days of the occasion was changed to \$50 (was \$20).

[Minnesota Statute 349.19, Subd. 4]

Legislative Changes - Effective August 1, 2005

Bingo (continued)

Electronic bingo device allowed (when new rules promulgated)

An "electronic bingo device" is a hand-held device which can be used by a bingo player to monitor bingo paper sheets purchased at the bingo occasion and which:

- allows bingo players to input numbers announced by a bingo caller,
- compares the numbers entered by the player to the bingo faces previously stored in the device's memory, and
- identifies a winning bingo pattern.

An electronic bingo device does not mean any device into which coins, currency, or tokens are inserted to activate play.

[Minnesota Statute 349.12 Subd. 12a]

The Gambling Control Board may by rule authorize but not require the use of electronic bingo devices. The rules must include the following requirements.

- The number of bingo faces that can be played using an electronic bingo device is limited to 36.
- An electronic bingo device must be used with corresponding bingo paper sheets.
- The electronic bingo device site system must have dial-up capability to permit the Gambling Control Board to remotely monitor the operation of the device and the internal accounting systems.
- The price of a bingo face played on an electronic bingo device is prohibited from being less than the price of a face on a bingo paper sheet sold at the same occasion.

[Minnesota Statute 349.151, Subd. 4c]

BINGO QUESTIONS AND ANSWERS

May our organization conduct two bingo occasions on a daily basis, for a total of 14 a week?

Yes. There is no limit on the number of occasions that may be conducted by an organization.

At the premises where we conduct bingo, there has always been a limit of 21 bingo occasions that could be conducted by all organizations at the site. Does that limit still apply?

No. There is no limit on the number of bingo occasions that may be conducted by all organizations at a site.

Our organization is considering the use of electronic bingo devices for our bingo players. Are there any special requirements for their use?

Until the Gambling Control Board has promulgated rules for electronic bingo devices, the devices may not be used. It is anticipated that the Board will begin a new rules process this summer.

We have an assistant gambling manager at a licensed bingo hall. Now that the bingo premises is not required to have a bingo hall license, are we still allowed to have an assistant gambling manager who manages the conduct of bingo for more than one organization at the premises?

Yes. The Board rule which allows an assistant gambling manager at a licensed bingo hall is still valid for the purposes of conducting bingo games.

Legislative Changes - Effective August 1, 2005

Tipboards

Tipboard play modified

When a tipboard ticket is purchased and opened from a game containing more than 32 tickets, each player having a tipboard ticket with one or more predesignated numbers or symbols must sign the placard at the line indicated by the number or symbol on the tipboard ticket. (Games with 32 or fewer tickets only need the winner's signature.)

[Minnesota Statute 349.1711 Subd. 1]

The maximum prize in a tipboard game was increased to \$599 (was \$500), not including any cumulative or carryover prizes.

[Minnesota Statute 349.211 Subd. 2c]

Compensation ("meat raffles")

Compensation for "meat raffles" in bar operation

A licensed organization may compensate an organization employee for the sale of gambling equipment at a bar operation if the frequency of the activity is one day or less per week and the games are limited to 32 chances or less per game. Compensation may not be paid to a lessor, a lessor's employee, or an immediate family member of the lessor.

[Minnesota Statute 349.168, Subd. 8(b)]

Employee Participation in Lawful Gambling

Clarification of employee participation in lawful gambling

Nongambling employees of an organization or lessor may participate in lawful gambling on the premises provided:

- (1) if pull-tabs or tipboards are sold, major prizes are posted for all pull-tab and tipboard games, and
- (2) the individual is not involved in the conduct of lawful gambling at that site.

[Minnesota Statute 349.18 Subd. 1(h)]

Gambling employees may purchase pull-tabs or tipboards at the site of the employee's place of employment if:

1. all major prizes are posted for pull-tabs and tipboard games, and
2. the employee is not involved in the sale of pull-tabs or tipboards at that site.

[Minnesota Statute 349.18 Subd. 1(i)]

Legislative Changes - Effective August 1, 2005

License and Rent Changes

Mandatory disqualifications amended

For licensed organizations, one of the mandatory disqualifications for officers or members of the organization's governing body was changed. Deleted was the disqualification for any felony or gross misdemeanor conviction within five years of the organization's license. The disqualification now is for any felony or gross misdemeanor conviction involving theft or fraud (no timeframe).
[Minnesota Statute 349.155, Subd. 3(b)(1)]

License qualifications amended

Qualifications for an organization license issued after June 30, 2006, include the requirement that a licensed organization may not exceed the expense calculation imposed by Minnesota Statute 349.15, Subdivision 1, or if the expenditure restrictions are exceeded, the organization must reimburse excess expenses from nongambling funds. *[Minnesota Statute 349.16, Subd. 2(h)]*

Annual goal for "charitable contributions"

A licensed organization must include in its license application an annual goal for charitable contributions, expressed as a percentage of gross profits.
[Minnesota Statute 349.16, Subd. 2(e)]

Gambling manager bond

A gambling manager is required to maintain a dishonesty bond in the sum of \$10,000 in favor of the organization conditioned on the faithful performance of the manager's duties. Previously the gambling manager was required to maintain a fidelity bond.
[Minnesota Statute 349.167, Subd. 1(a)]

Rent language amended

Language was added clarifying that Minnesota Statutes 349.18, Subd. 1(b) pertains to pull-tabs, tipboards, and paddlewheels. *[Minnesota Statute 349.18, Subd. 1(b)]*

New leases approved by the Board may authorize an organization to withhold rent from a lessor for up to 90 days if the Board determines that illegal gambling occurred at the premises and that the lessor or its employees participated in the illegal gambling or knew of the gambling and did not take prompt action to stop the gambling. The lease must authorize continued tenancy of the organization without the payment of rent during the time period determined by the Board. (The LG215 Lease for Lawful Gambling Activity will be revised.) *[Minnesota Statute 349.18, Subd. 1(a)]*

Bingo rent is subject to one of the following limits:

- not more than 10% of the monthly gross profit from all lawful gambling activities held during bingo occasions, excluding bar bingo, or
- at a rate based on a cost per square foot not to exceed 110% of a comparable cost per square foot for leased space as approved by the director of the Board.

[Minnesota Statute 349.18, Subd. 1(c)]

Rent may not be paid for a bar bingo occasion.

[Minnesota Statute 349.17, Subd. 7(3) and Minnesota Statute 349.18, Subd. 1(c)(2)]

Amounts paid as rent under leases are all-inclusive, unless approved by the director of the Gambling Control Board. *[Minnesota Statute 349.18, Subd. 1(d)]*

Legislative Changes - Effective August 1, 2005

License and Rent Changes (continued)

Bingo hall license deleted

Owners of permitted premises at which bingo is conducted by more than one organization are no longer required to obtain a bingo hall license.
[Minnesota Statute 349.164 Repealed]

References to bingo halls were deleted from:

- *Minnesota Statute 349.151 Subd. 4(a)(2), (4), (10), (14), and (19)*
- *Minnesota Statute 349.151, Subd. 4b(b)(2)*, new language inserted "premises where bingo is conducted and admission is restricted to" persons 18 years or older.
- *Minnesota Statute 349.153(a), (b), and (c)*
- *Minnesota Statute 349.155, Subd. 3(a)*
- *Minnesota Statute 349.16, Subd. 8*
- *Minnesota Statute 349.1635, Subd. 4(a)(1)*, new language inserted "premises leased for the conduct of bingo"
- *Minnesota Statute 349.213, Subd. 2*

LICENSE QUESTIONS AND ANSWERS

If we negotiate a new bingo lease based on square footage, is the rent based on each occasion?

No. If you elect to have a bingo lease with a rate based on square footage, bingo rent is based on a monthly basis, not on a per occasion basis. The Board will be reviewing all bingo leases for appropriate rates and expenses.

If a bingo hall license is no longer required for the bingo hall where we conduct bingo, is there any information that we have to submit to the Gambling Control Board?

No. Your current premises permit and lease remain in effect.

The bond for gambling managers has changed from a fidelity bond to a dishonesty bond. Are we required to get a new dishonesty bond for our gambling manager now, or may we wait until we renew our license?

Your organization must obtain a dishonesty bond at the time of your license renewal after August 1, 2005. Be sure to submit the new dishonesty bond number to the Gambling Control Board.

Excluded Authorizations

Registration of excluded raffles eliminated

Raffles may be conducted by nonlicensed organizations without registering with the Gambling Control Board if the value of all raffle prizes awarded by the organization in a calendar year does not exceed \$1,500. *[Minnesota Statute 349.166, Subd. 1(c)]*
(All licensed organizations must continue to report all raffle activity.)

The LG240R Application to Conduct Excluded Raffle form is no longer required. Excluded raffles may only be conducted by nonprofit organizations.

Exempt Permits

Financial report, and raffles for membership and/or membership dinner

Organizations conducting exempted activity with less than \$50,000 in prizes in a calendar year and 5 or fewer days of activity may be subject to a penalty by the Gambling Control Board for failure to file a financial report within 30 days of the activity.
[Minnesota Statute 349.166, Subd. 2(b)]

An exempted organization may conduct a raffle in combination with an organization's membership solicitation or membership dinner, and that raffle may not be included with any other raffle conducted under the exempt permit.
[Minnesota Statute 349.166, Subd. 2(d)]

Legislative Changes - Effective August 1, 2005

Charitable Contributions; Annual Report

Charitable contributions defined

Charitable contributions means one or more of the lawful purpose expenditures as defined in Minnesota Statute 349.12, Subd. 25 for codes A1-7, 10-11, 13-15, and 19. *[Minnesota Statute 349.12, Subd. 7a]*

Annual financial summary required

Licensed organizations are required to file an annual financial summary report to its membership and to the Board, in a format prescribed by the Board. The report must include:

- gross receipts, prizes paid, and allowable expenses
- lawful purpose expenditures, including annual totals for types of charitable contributions, and all taxes and fees
- the percentage of annual gross profits used for charitable contributions and for all taxes and fees

[Minnesota Statute 349.19, Subd. 5]

Gambling Control Board and Director Duties

Board powers and duties amended

The Board is required to provide a financial summary report for each licensed organization to the governor and legislature. *[Minnesota Statute 349.151, Subd. 4(a)(9)]*

The Board may approve or deny requests from licensees for waivers from the organization license fee and variances from Board rules.

[Minnesota Statute 349.151, Subd. 4(a)(15)]

Delegation of duties to director

The Gambling Control Board may delegate to the director the authority to approve or deny fund loss requests, contributions of gambling funds to another licensed organization, and property expenditure requests under criteria established by the board.

[Minnesota Statute 349.151, Subd. 4(a)(13)]

Director duties

Duties of the director of the Gambling Control Board were amended to include advising the Board on policy and legislative initiatives and to approve or deny operational requests from licensees as delegated by the Board.

[Minnesota Statute 349.152 Subd. 2(3) and (4)]

Local Authority

Restricted from requiring license or permit

Expands the prohibition that a city or county may not require a license or permit for a linked bingo game provider, in addition to not requiring a license or permit for organizations and distributors licensed by the Gambling Control Board.

[Minnesota Statute 349.213, Subd. 1(a)]

Records must be shared with Board

Cities or counties that impose a local gambling tax of up to 3% on licensed organizations within its jurisdiction must share with the Gambling Control Board all documents pertaining to site inspections, fines, penalties, or other corrective action involving local lawful gambling regulation. The documents must be provided to the Board within 30 days of filing at the city or county of jurisdiction.

[Minnesota Statute 349.213, Subd. 3]

Legislative Changes - Effective July 1, 2006

Allowable Expenses

Allowable expenses modified

Expense calculation amount increased - Effective July 1, **2006**, no more than 60% of the gross profits from lawful gambling, excluding bingo, may be expended for allowable expenses related to lawful gambling. The previous limit was 55%. (Expense calculations for bingo remains at 70%.)

Biennial basis - For licenses issued after June 30, 2006, compliance with expense calculations is required on a biennial basis concurrent with the term of the organization's license. Compliance with this requirement is a condition for renewal of any license after July 1, 2008.

[Minnesota Statute 349.15, Subd. 1]

A new expense calculation worksheet will be developed by the Department of Revenue and be available by June 2006.

ALLOWABLE EXPENSE QUESTIONS AND ANSWERS

Our organization has had a large positive expense calculation balance for many years. Will we be allowed to start our next worksheet with our positive balance when we renew our license in July 2006?

No. For licenses issued after June 30, 2006, expense calculations are on a two year basis and start over at zero at renewal.

Our organization's license will expire on November 30, 2006. How do we make the switch on July 1, 2006 to the increased calculation amount?

Additional information will be sent to all organizations to help guide them through this change. The Department of Revenue will also provide a new form and instructions.

Legislative Changes - Effective August 1, 2005

Technical Changes and Corrections

Catastrophe For real property requests, the phrase "natural disaster" was changed to "catastrophe."
[Minnesota Statute 349.12, Subd. 25(b)(3)]

Distributors, salespersons, and other personnel The reference to "employee eligible to make sales on behalf of a distributor" was changed to "distributor salesperson" to accurately reflect statutory language contained elsewhere.
[Minnesota Statute 349.151, Subd. 4(b)]

Gift limit to organizations A distributor, distributor salesperson, or any representative, agent, affiliate, or other employee of a distributor is prohibited from providing an employee or agent of an organization any compensation, gift, gratuity, premium, or other thing of value greater than \$25 per organization in a calendar year.
[Minnesota Statute 349.161, Subd. 5(d)]

Pull-tab dispensing device Language that requires an organization to maintain separate cash banks for each deal of pull-tabs unless two or more deals are commingled in a single receptacle was clarified to mean that pull-tab deals may only be commingled in a pull-tab dispensing device.
[Minnesota Statute 349.19, Subd. 10(b)]

Sale of gambling equipment References to other statutory language regarding the Minnesota symbol on pull-tab or tipboard deals were corrected.
[Minnesota Statute 349.161, Subd. 5(j) and Minnesota Statute 349.163, Subd. 3(c)]

Obsolete language pertaining to registration stamps was deleted. Language was amended to allow the Gambling Control Board or the Department of Revenue to prescribe the manner in which equipment must be registered, and when it may be moved from a distributor warehouse.

[Minnesota Statute 349.162, Subd. 1]

[Minnesota Statute 349.162, Subd. 3 Repealed]

[Minnesota Statute 349.162, Subd. 4(a) and (b)]

[Minnesota Statute 349.162, Subd. 5(a) and (d)(2)]

[Minnesota Statute 349.2125, Subd. 1(1) and (2)]

Gambling equipment that will be distributed to tribal casinos must be registered with the Department of Revenue.

[Minnesota Statute 349.162, Subd. 5(d)(2)]

Language clarifies that bingo paper sheets must have an individual number recorded by a distributor or linked bingo game provider.

[Minnesota Statute 349.17, Subd. 5]

EXPENDITURES ALLOWED

This one-page chart lists the lawful purpose expenditures that are allowed, and the codes to use when reporting these expenditures, effective June 2005.

A-1

- to and by 501(c)(3) organizations
- to and by 501(c)(4) festival organizations

A-2

relieving the effects of poverty, homelessness, or disability

A-3

- program for education, prevention, or treatment of problem gambling

A-4

funding a public or private nonprofit education institution registered with or accredited by Minnesota or any other state

A-5

a scholarship fund

A-6

- recognition of military service (open to the public)
- active military personnel in need

A-7

for activities and facilities benefiting youth under age 21

A-8

payment of local, state, and federal taxes on receipts from lawful gambling

A-9

real estate taxes and assessments on gambling premises owned by the licensed organization (includes veterans organizations), or wholly leased by a licensed 501(c)(19) veterans organization. Effective 1-1-06, no limit on taxes paid.

A-10

- contributions to the United States, state of Minnesota, or any of its subdivisions or agencies or instrumentalities (except a direct contribution to a law enforcement or prosecutorial agency)
- a fund administered and regulated by a city or county (for lawful purposes)

A-11

to and by a nonprofit organization which is a church or a body of communicants

A-12

the reasonable costs of a required audit or financial review of the gambling operation if it is filed in a timely manner with the Department of Revenue (Only for audits paid for by 6-30-06. After that, cost is allowable expense.)

A-13

- wildlife management project that benefits the public-at-large, provided that the DNR approves the project before the expenditure is made
- costs related to grooming and maintaining snowmobile or all-terrain vehicle trails that are grant-in-aid trails, or other trails open to public use, provided that DNR has approved the expenditure before it is made.
- supplies and materials for safety training and education programs coordinated by the DNR

A-14

conducting nutritional programs, food shelves, and congregate dining programs primarily for persons who are age 62 or older or disabled

A-15

to community arts organizations or expenditures to fund arts programs in the community

A-16

for utility costs (fuel for heating, water, electricity, and sewer costs) for building wholly owned or wholly leased by licensed veteran organizations and used as their primary headquarters

A-17

for meals and other membership events of licensed veterans organizations, limited to members and spouses only, held in recognition of military service (limit \$5,000 per year for all organizations at post home)

A-18

fees paid to the state for organization license, premises permits, and gambling manager license

A-19

recognizing humanitarian service demonstrated through volunteerism or philanthropy

B codes - Expenditures in this category (B codes) require Gambling Control Board approval. Included are certain real property expenditures and contributions to another licensed organization.

**The following forms and publications
will be revised and available in late July 2005 at
www.gcb.state.mn.us**

FORMS AND PUBLICATIONS

- LG200B Organization Officers Affidavit
- LG212 Gambling Manager Application
- LG214 Premises Permit Application
- LG215 Lease for Lawful Gambling Activity
- LG220 Application for Exempt Permit
- LG270 Request to Contribute Gambling Funds to Another Licensed Organization
- LG555 Government Approval or Acknowledgment For Use of Gambling Funds
- LG811 Bingo Occasion Summary/Hard Cards
- LG821 Raffle Inventory and Sales Log
- LG821 Physical Inventory/Raffle
- LG909 Bingo Occasion Summary/Bingo Paper
- LG1010 Schedule C/D Instructions
- Common Bingo Questions
- LPE Code Summary (Expenditures Allowed)
- Raffle CheckList
- Who May and May Not Participate as a Player
- Illegal Gambling

MISCELLANEOUS

- LG350 Linked Bingo Game Provider License Application
- LG410 Distributor Personnel Information
- LG411 Distributor Salesperson License Application
- LG510 City or County Annual Report, 10% Contribution Fund
- LG610 Manufacturer Personnel Information

NEW FORMS TO BE DEVELOPED

- Annual financial summary report for licensed organizations

IN 2006

- Worksheet EC Lawful Gambling Expense Calculation

TRENDS in LAWFUL GAMBLING GROSS RECEIPTS

NOTE: The 2003 amounts have been revised to reflect amounts reported in calendar year reports.
 Figures for 2004 have been updated and are subject to change due to amended, corrected, or late tax returns.

	2005	% Change from 2004	2004	% Change from 2003	2003
January	108,434,000	-4.73	\$113,813,000	-2.76	\$117,046,000
February	111,708,000	-3.30	\$115,526,000	2.99	\$112,175,000
March	121,708,000	-3.91	\$126,656,000	0.01	\$126,646,000
April			\$120,022,000	0.76	\$119,114,000
May			\$118,946,000	-1.52	\$120,778,000
June			\$112,208,000	0.43	\$111,731,000
July			\$117,101,000	1.52	\$115,346,000
August			\$117,253,000	-2.58	\$120,355,000
September			\$113,266,000	-4.29	\$118,344,000
October			\$120,624,000	-2.97	\$124,314,000
November			\$112,432,000	-2.64	\$115,479,000
December			\$113,325,000	-3.08	\$116,922,000
TOTALS	\$341,850,000	-3.97%	\$1,401,172,000	-1.20%	\$1,418,250,000

LAWFUL PURPOSE EXPENDITURES (includes taxes and fees)

January 2005 \$10,071,000
 February 2005 \$10,403,000
 March 2005 \$12,884,000

AGENCY INDEX

Gambling Control Board Members

Peggy Moon, Chair, St. Joseph
 Howard Register, Vice Chair, Eagan
 Pat Davies, Secretary, Mendota Hts
 Gerald Dexter, White Bear Lake
 Tamara Garcia, Eden Prairie
 William Goede, Plainview
 Shirleen Hoffman, Delano

Board meetings

Open to the public
 Best Western Kelly Inn
 I-94 & Marion St.
 St. Paul
 June 20 - 10 a.m.
 July 18 - 10 a.m.
 August 15 - 10 a.m.
 September 19 - 10 a.m.

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
 Department of Public Safety www.dps.state.mn.us
 Alcohol & Gambling Enforcement ---- 651-296-6159
 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
 www.miph.org/gambling

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

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Holiday closing: State offices will be closed on Monday, July 4, 2005.

This publication will be made available in alternative format (large print, Braille) upon request.
 If you use a TTY, you can call us by using the Minnesota Relay Service and ask to place a call to 651-639-4000.