

Annual Report of the Minnesota Gambling Control Board



July 1, 2001 - June 30, 2002



Message from the Board Chair and Executive Director

January 2, 2003

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

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

- compliance reviews and site inspections,
- issuing licenses and permits
- continuing education classes throughout the state,
- gambling manager seminars,
- an individualized mentoring program,
- a comprehensive web site, and
- a monthly newsletter.

This annual report provides information for the 2002 fiscal year of July 1, 2001, through June 30, 2002. Portions of the data were obtained from the Minnesota Department of Revenue.

Respectfully submitted,

Peggy Moon, Chair

Tom Barrett, Executive Director

Gambling Control Board Members and Staff

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

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

Members	City	Appointed by	Term
Peggy Moon, Chair	St. Joseph	Governor	7/01 to 6/05
Howard Register, Vice Chair	Inver Grove Heights	Public Safety	7/99 to 6/03
Don McHale, Secretary	Nisswa	Governor	7/98 to 6/02
Dennis Flaherty	St. Paul (Resigned September 2001)	Attorney General	7/99 to 9/01
James Hynes	St. Paul	Governor	1/01 to 6/04
William Barbknecht	Underwood	Governor	1/01 to 6/04
Pat Davies	Mendota Heights (Replaced Dennis Flaherty)	Attorney General	12/01 to 6/03
Michelle Seidel	Minneapolis (Resigned March 2002)	Governor	7/01 to 6/02

Executive Director

Tom Barrett

FY 2002 budget: \$ 2,419,000

Board staff: 35 (FTE 32)

Board Counsel

E. Joseph Newton, Assistant Attorney General

Peter Marker, Assistant Attorney General

Statement of Cash Receipts and Industry Overview

Cash Receipts

Licenses	Fee	Total Collected
Manufacturer License	\$5,000	\$ 35,000
Distributor License	3,500	66,500
Bingo Hall License	2,500	25,000
Organization License	none	0
Gambling Manager License	200	263,900

Premises Permit

Class A (bingo, paddlewheels, pull-tabs, tipboards, raffles)	400	142,400
Class B (paddlewheels, pull-tabs, tipboards, raffles)	250	572,375
Class C (bingo only, or bingo and pull-tabs under \$50,000 gross receipts per year) ...	200	3,600
Class D (raffles only)	150	1,425

Other

Excluded Permit (limited bingo, less than \$750 value in cumulative raffle prizes)	none	0
Exempt Permit (up to 5 days of activity, total prizes valued at \$50,000 or less)	25	67,000
Total license and permit fees		\$1,177,200
Total civil penalties and fines	vary	\$44,850
Total fees and penalties collected		\$1,222,050

State Gambling Taxes (collected by Department of Revenue, after refunds) \$56,423,000

Total fees, penalties, and taxes collected by the State **\$57,645,050**

Industry Overview

During fiscal year 2002, the Minnesota lawful gambling industry consisted of:

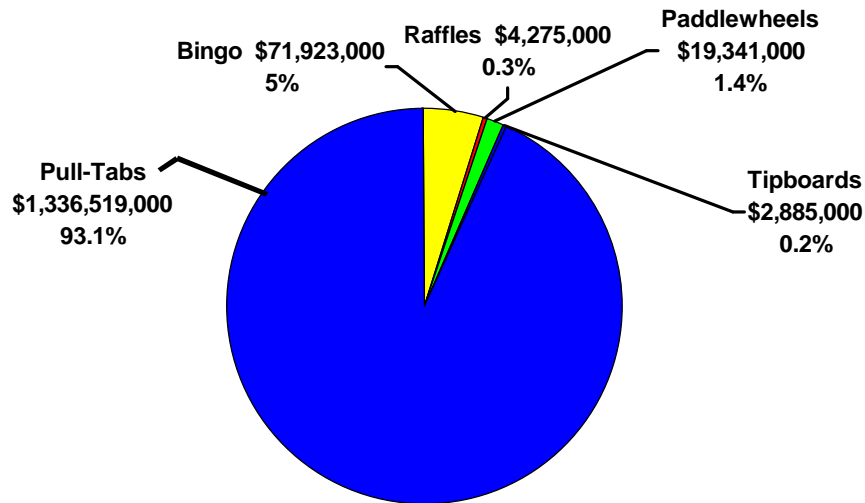
<u>Licensees and Activities</u>		<u>Description</u>	
8	manufacturers	Sold product to licensed distributors.	
18	distributors	Sold product to nonprofit lawful gambling organizations.	
12	bingo halls	Lawful gambling is conducted by organizations at licensed bingo halls.	
1,503	nonprofit organizations	Licensed organizations conduct gambling at permitted premises.	
<u>Type of Organization</u>		<u>Number</u>	<u>Percent</u>
FRATERNAL - Lions, Eagles & Auxiliary, Moose, Elks, Knights of Columbus		228	15%
VETERANS - American Legion & Auxiliary, VFW & Auxiliary		311	21%
RELIGIOUS - Church/Cathedral		39	3%
OTHER NONPROFIT - Fire relief, hockey, Jaycees, baseball, athletic, rod and gun, snowmobile, business/chamber/development, sportsman, community, other		925	61%
TOTAL:		<u>1,503</u>	<u>100%</u>
1,690	gambling managers	Gambling managers are members of licensed nonprofit organizations and are responsible for supervising the conduct of organizations' lawful gambling operations.	
3,216	premises permits	1,503 licensed nonprofit organizations were issued 3,216 premises permits.	
1,914	exempt organizations	Permitted organizations conduct limited gambling up to five days per calendar year. In fiscal year 2002, exempt organizations conducted 2,613 activities.	
859	excluded organizations	Nonprofit organizations may apply for authorization to conduct excluded raffle or bingo activities. In fiscal year 2002, 1,112 excluded activities were conducted.	

Lawful Gambling Statistics

Fiscal Year 2002 Summary

ACTIVITY	Gross Receipts (sales)		Prizes Paid	Net Receipts (gross less prizes)		% Payout	
	FY 2002	% Change from FY01	FY 2002	FY 2002	% Change from FY01	FY02	FY01
Bingo	\$ 71,923,000	+2.0	\$ 55,680,000	\$ 16,243,000	-0.2	77.4	76.9
Raffles	4,275,000	+0.7	2,249,000	2,026,000	+3.7	52.6	54.0
Paddlewheels	19,341,000	+7.2	15,629,000	3,712,000	+17.5	80.8	82.5
Tipboards	2,885,000	- 1.6	1,837,000	1,048,000	- 4.7	63.7	62.5
Pull-Tabs	1,336,519,000	- 0.3	1,100,873,000	235,646,000	- 1.4	82.4	82.2
Interest Income	483,000	-32.1	- 0 -	483,000	-32.1		
TOTALS	\$1,435,426,000	- 0.1	\$1,176,268,000	\$ 259,158,000	- 1.1	81.9	81.8

Lawful Gambling Activity



Ten-Year Comparison (percent change from previous fiscal year)

FY	Gross Receipts		Prizes Paid		Net Receipts	
02	\$1,435,426,000	-0.1%	\$1,176,268,000	0.2%	\$259,158,000	-1.1%
01	1,436,603,000	-4.2%	1,174,490,000	-4.2%	262,113,000	-4.4%
00	1,500,042,000	3.5%	1,225,813,000	3.8%	274,229,000	2.2%
99	1,449,055,000	3.0%	1,180,608,000	3.1%	268,447,000	2.6%
98	1,407,137,000	4.0%	1,145,509,000	4.3%	261,628,000	2.8%
97	1,352,740,000	-1.3%	1,098,294,000	-1.0%	254,446,000	-2.3%
96	1,369,932,000	0.7%	1,109,528,000	0.6%	260,404,000	1.2%
95	1,359,843,000	7.6%	1,102,514,000	7.6%	257,329,000	7.4%
94	1,263,882,000	0.4%	1,024,322,000	0.7%	239,560,000	-0.8%
93	1,258,417,000	2.2%	1,016,963,000	2.1%	241,454,000	2.5%

Lawful Purpose Expenditures

Organizations may contribute for lawful purpose expenditures (contributions) in the following categories.



Youth activities



Grooming and maintaining snowmobile and all-terrain vehicle trails approved by the Department of Natural Resources



Programs recognizing military service or humanitarian service



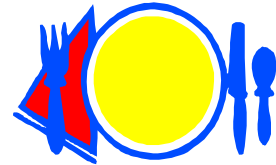
Scholarship funds, and private or public nonprofit educational institutions



Board-approved repair and maintenance projects of organizations' buildings



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



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



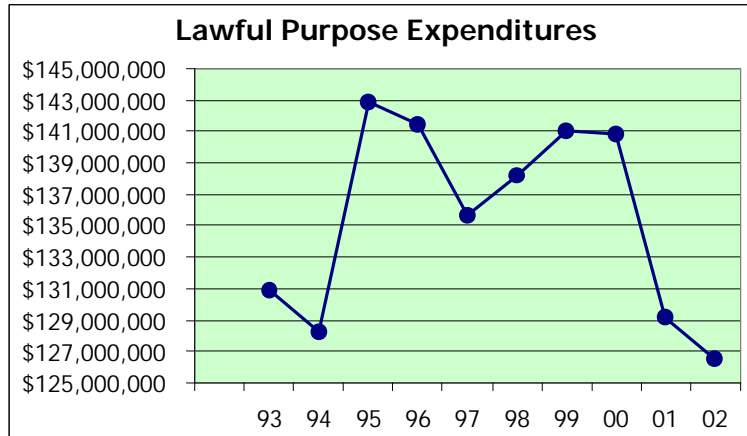
Other Lawful Purpose Expenditure Categories

- Community arts organizations or program sponsorships
- Religious purposes
- Donations to or by nonprofit organizations designated by the Internal Revenue Service as 501(c)(3) organizations or as 501(c)(4) festival organizations
- Relieving effects of poverty, homelessness, physical or mental disabilities
- Treatment for compulsive gambling or posttraumatic stress syndrome
- State-agency approved wildlife management projects
- Cost of audit of the lawful gambling financial records
- Real estate taxes within defined limits
- State, local, and federal gambling taxes

Lawful Purpose Expenditures

Ten-Year Comparison

02	\$126,514,000
01	\$129,153,000
00	\$140,841,000
99	\$141,071,000
98	\$138,176,000
97	\$135,632,000
96	\$141,427,000
95	\$142,878,000
94	\$128,225,000
93	\$130,852,000



Lawful Purpose Expenditures

	<u>FY 2002</u>	<u>FY 2001</u>	<u>% Change</u>
Charitable Contributions	\$ 70,091,000	\$ 73,252,000	-4.3
State Gambling Taxes Paid	56,423,000	55,901,000	+ 0.9
Gross Receipts State Tax	22,931,000	22,650,000	+ 1.2
Net Receipts State Tax	1,906,000	1,870,000	+ 1.9
Combined Receipts State Tax	31,586,000	31,381,000	+ 0.7
TOTALS	\$ 126,514,000	\$ 129,153,000	- 2.0%

State Gambling Taxes

	<u>Taxes Paid</u>	<u>Refund*</u>	<u>Taxes After Refund</u>
02	\$62,655,000	\$6,232,000	\$56,423,000
01	62,147,000	6,246,000	55,901,000
00	68,765,000	6,209,000	62,556,000
99	68,709,000	6,088,000	62,621,000
98	68,828,000	5,780,000	63,048,000
97	64,717,000	2,700,000	62,017,000
96	65,849,000		
95	64,773,000		
94	57,487,000		
93	57,476,000		

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

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

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

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

* Refund on unsold pull-tab and tipboard tickets, effective 7/1/96.

Allowable Expenses

An allowable expense is an expense or a proportion of an expense directly related to the conduct of lawful gambling. Organizations are allowed to spend up to 55 percent of net receipts toward these types of operating costs. A higher limit is authorized for the net receipts from bingo.

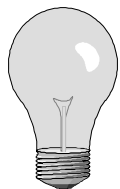
Allowable expenses as reported to the Department of Revenue included:

Operating Cost	FY02	FY01	% Change
Compensation and payroll taxes	\$ 66,012,000	\$65,335,000	+ 1.0
Gambling equipment (pull-tabs, bingo paper, tipboards, paddletickets)	25,790,000	25,900,000	- 0.4
Rent	23,390,000	23,242,000	+ 0.6
Accounting and legal work	4,725,000	5,690,000	- 17.0
Office supplies and misc. expenses	5,892,000	5,823,000	+ 1.2
Gambling device purchase (paddlewheel, paddlewheel table, bingo selection device, pull-tab dispensing device), storage, and maintenance	2,604,000	3,015,000	- 13.6
Cash shortages (see next page)	1,801,000	2,002,000	- 10.0
Utilities	1,590,000	1,655,000	- 3.9
Bond, license, permits	1,145,000	486,000	+ 135.6 ¹
Advertising	557,000	548,000	+ 1.6
Theft and liability insurance	636,000	623,000	+ 2.1

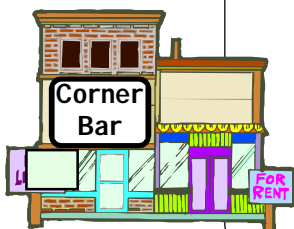
¹ Percent change due to two-year licensing cycle.



Office Supplies



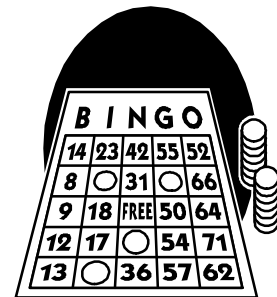
Utilities



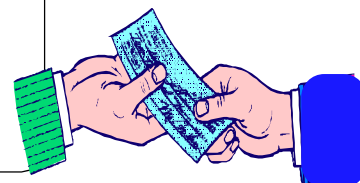
Rent

Ten-Year Comparison of Allowable Expenses

02	\$ 132,644,000
01	\$ 132,960,000
00	\$ 133,388,000
99	\$ 127,376,000
98	\$ 123,452,000
97	\$ 118,814,000
96	\$ 118,977,000
95	\$ 114,451,000
94	\$ 111,335,000
93	\$ 110,602,000

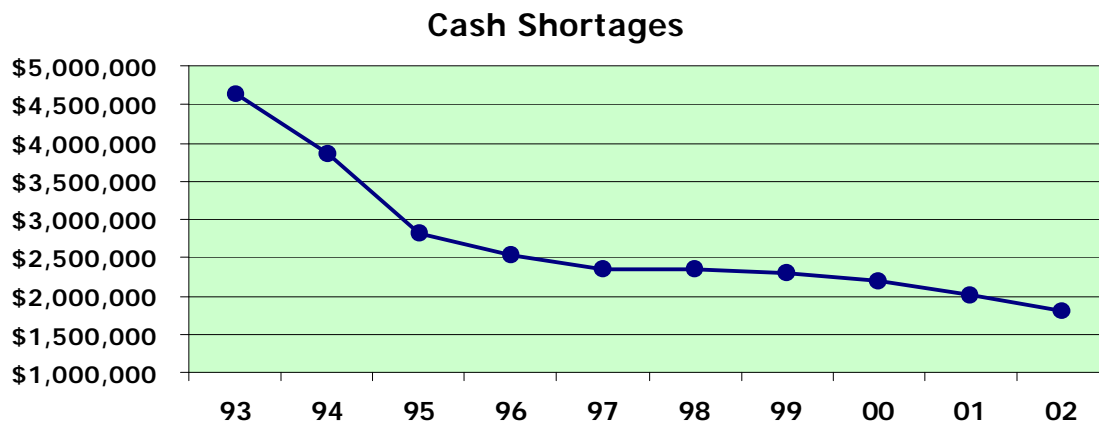
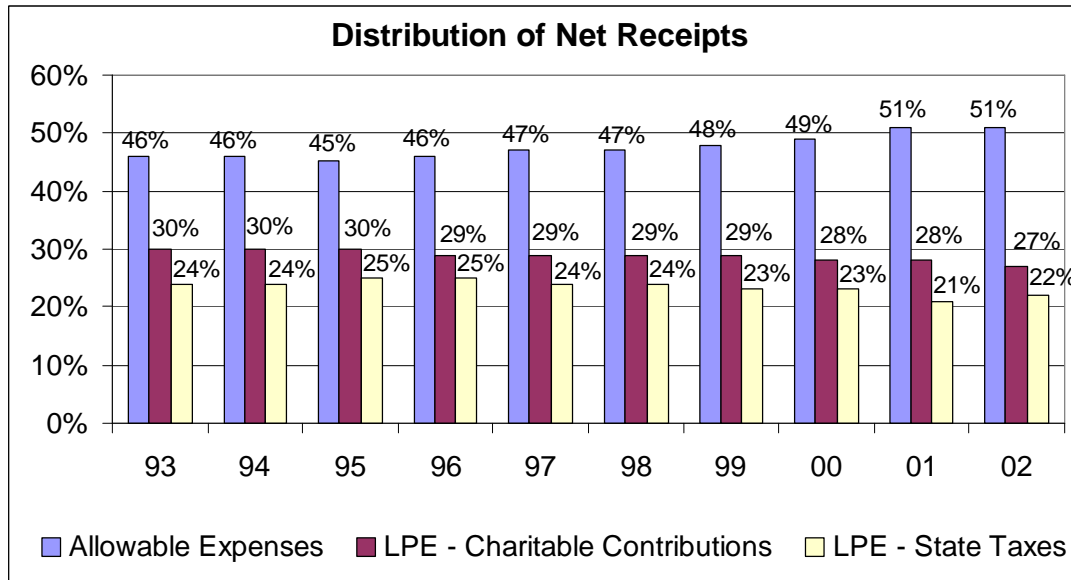


Gambling Equipment



Compensation

Lawful Gambling Statistics



Cash Shortages (before reimbursement)

FY	Cash Shortages	Industry Average *
02	\$1,801,000	0.13%
01	2,002,000	0.14%
00	2,190,000	0.15%
99	2,311,000	0.16%
98	2,338,000	0.17%
97	2,341,000	0.17%
96	2,528,000	0.18%
95	2,822,000	0.21%
94	3,848,000	0.30%
93	4,631,000	0.37%

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

For reporting purposes effective 8/1/95, shortages may not exceed three-tenths of one percent (.3%) of gross receipts (sales) and are treated as an allowable expense.

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

* Average organization shortage level for gross receipts

Lawful Gambling Activity by County

COUNTY	G R O S S			N E T (after prizes)		
	RECEIPTS FY02	% CHANGE FY01 since FY01		RECEIPTS FY02	% CHANGE FY01 since FY01	
Aitkin	12,254,000	\$ 12,368,000	-0.9%	\$ 2,074,000	\$ 2,090,000	-0.8%
Anoka	99,839,000	101,905,000	-2.0%	17,588,000	18,375,000	-4.3%
Becker	12,978,000	13,725,000	-5.4%	2,258,000	2,342,000	-3.6%
Beltrami	6,697,000	9,751,000	-31.3%	1,015,000	1,725,000	-41.2%
Benton	11,358,000	10,648,000	6.7%	2,207,000	1,946,000	13.4%
Big Stone	455,000	508,000	-10.4%	79,000	100,000	-21.0%
Blue Earth	15,173,000	23,317,000	-34.9%	3,182,000	5,221,000	-39.1%
Brown	6,586,000	7,451,000	-11.6%	1,122,000	1,213,000	-7.5%
Carlton	6,970,000	6,797,000	2.5%	1,091,000	1,044,000	4.5%
Carver	14,311,000	13,240,000	8.1%	2,545,000	2,366,000	7.6%
Cass	9,888,000	10,371,000	-4.7%	1,704,000	1,778,000	-4.2%
Chippewa	5,694,000	5,888,000	-3.3%	891,000	936,000	-4.8%
Chisago	10,104,000	12,134,000	-16.7%	1,732,000	2,064,000	-16.1%
Clay	11,984,000	12,492,000	-4.1%	2,212,000	2,333,000	-5.2%
Clearwater	5,365,000	5,050,000	6.2%	889,000	861,000	3.3%
Cook	0	0	0	0	0	0
Cottonwood	2,150,000	2,683,000	-19.9%	375,000	466,000	-19.5%
Crow Wing	35,620,000	37,230,000	-4.3%	6,505,000	6,804,000	-4.4%
Dakota	67,488,000	80,530,000	-16.2%	12,213,000	15,114,000	-19.2%
Dodge	3,614,000	3,821,000	-5.4%	639,000	676,000	-5.5%
Douglas	19,351,000	20,057,000	-3.5%	2,819,000	3,083,000	-8.6%
Faribault	5,746,000	4,966,000	15.7%	1,059,000	877,000	20.8%
Fillmore	6,135,000	5,128,000	19.6%	1,151,000	970,000	18.7%
Freeborn	11,133,000	12,459,000	-10.6%	2,061,000	2,320,000	-11.2%
Goodhue	10,016,000	11,261,000	-11.1%	1,691,000	1,917,000	-11.8%
Grant	4,515,000	4,836,000	-6.6%	585,000	660,000	-11.4%
Hennepin	198,618,000	227,074,000	-12.5%	35,820,000	43,610,000	-17.9%
Houston	5,799,000	6,359,000	-8.8%	1,134,000	1,263,000	-10.2%
Hubbard	15,806,000	12,207,000	29.5%	2,221,000	1,498,000	48.3%
Isanti	10,406,000	8,632,000	20.6%	1,802,000	1,481,000	21.7%
Itasca	36,675,000	17,012,000	115.6%	7,803,000	2,853,000	173.5%
Jackson	1,071,000	1,049,000	2.1%	189,000	193,000	-2.1%
Kanabec	5,195,000	4,045,000	28.4%	962,000	750,000	28.3%
Kandiyohi	9,362,000	8,551,000	9.5%	1,632,000	1,515,000	7.7%
Kittson	2,114,000	2,041,000	3.6%	346,000	333,000	3.9%
Koochiching	6,255,000	6,251,000	0.1%	1,056,000	1,073,000	-1.6%
Lac Qui Parle	954,000	1,173,000	-18.7%	181,000	210,000	-13.8%
Lake	3,205,000	3,132,000	2.3%	528,000	521,000	1.3%
Lake of the Woods	5,472,000	5,334,000	2.6%	776,000	865,000	-10.3%
Le Sueur	11,640,000	10,942,000	6.4%	2,123,000	1,953,000	8.7%
Lincoln	1,521,000	1,516,000	0.3%	336,000	334,000	0.6%
Lyon	2,814,000	2,963,000	-5.0%	563,000	583,000	-3.4%
Mahnomen	477,000	571,000	-16.5%	60,000	73,000	-17.8%
Marshall	5,581,000	4,222,000	32.2%	926,000	655,000	41.4%
Martin	7,041,000	7,320,000	-3.8%	1,252,000	1,305,000	-4.1%

Lawful Gambling Activity by County

COUNTY	G R O S S			N E T (after prizes)		
	RECEIPTS		% CHANGE since FY01	RECEIPTS		% CHANGE since FY01
	FY02	FY01		FY02	FY01	
McLeod	12,919,000	13,369,000	-3.4%	2,309,000	2,286,000	1.0%
Meeker	5,628,000	5,794,000	-2.9%	1,077,000	1,092,000	-1.4%
Mille Lacs	14,233,000	15,720,000	-9.5%	2,602,000	2,759,000	-5.7%
Morrison	21,751,000	23,138,000	-6.0%	3,719,000	3,917,000	-5.1%
Mower	13,821,000	13,590,000	1.7%	2,772,000	2,653,000	4.5%
Murray	1,565,000	1,589,000	-1.5%	312,000	298,000	4.7%
Nicollet	5,145,000	5,337,000	-3.6%	947,000	1,022,000	-7.3%
Nobles	2,616,000	2,338,000	11.9%	503,000	440,000	14.3%
Norman	2,010,000	1,965,000	2.3%	319,000	293,000	8.9%
Olmsted	22,804,000	21,971,000	3.8%	4,851,000	4,633,000	4.7%
Otter Tail	22,813,000	22,044,000	3.5%	3,946,000	3,785,000	4.3%
Pennington	7,009,000	6,886,000	1.8%	1,175,000	1,191,000	-1.3%
Pine	11,874,000	11,257,000	5.5%	2,077,000	1,998,000	4.0%
Pipestone	256,000	308,000	-16.9%	61,000	82,000	-25.6%
Polk	20,124,000	20,517,000	-1.9%	3,259,000	3,279,000	-0.6%
Pope	6,205,000	5,934,000	4.6%	1,096,000	1,061,000	3.3%
Ramsey	149,910,000	137,127,000	9.3%	29,207,000	27,684,000	5.5%
Red Lake	1,766,000	1,777,000	-0.6%	263,000	259,000	1.5%
Redwood	2,692,000	2,447,000	10.0%	477,000	420,000	13.6%
Renville	4,056,000	4,107,000	-1.2%	671,000	686,000	-2.2%
Rice	15,353,000	17,042,000	-9.9%	2,978,000	3,306,000	-9.9%
Rock	1,487,000	1,488,000	-0.1%	255,000	259,000	-1.5%
Roseau	4,862,000	4,781,000	1.7%	804,000	786,000	2.3%
Scott	23,107,000	20,615,000	12.1%	4,124,000	3,605,000	14.4%
Sherburne	24,776,000	32,058,000	-22.7%	4,110,000	5,559,000	-26.1%
Sibley	5,852,000	5,298,000	10.5%	983,000	871,000	12.9%
St. Louis	69,803,000	72,375,000	-3.6%	10,409,000	11,014,000	-5.5%
Stearns	56,555,000	52,281,000	8.2%	11,346,000	10,680,000	6.2%
Steele	11,663,000	11,874,000	-1.8%	2,113,000	2,106,000	0.3%
Stevens	2,430,000	2,674,000	-9.1%	438,000	486,000	-9.9%
Swift	4,134,000	3,714,000	11.3%	737,000	635,000	16.1%
Todd	11,609,000	9,928,000	16.9%	1,988,000	1,696,000	17.2%
Traverse	418,000	559,000	-25.2%	73,000	94,000	-22.3%
Wabasha	10,174,000	10,570,000	-3.7%	1,807,000	1,899,000	-4.8%
Wadena	4,947,000	5,057,000	-2.2%	814,000	861,000	-5.5%
Waseca	6,946,000	8,089,000	-14.1%	1,246,000	1,407,000	-11.4%
Washington	51,629,000	41,971,000	23.0%	10,141,000	8,026,000	26.4%
Watsonwan	3,447,000	2,948,000	16.9%	636,000	530,000	20.0%
Wilkin	1,976,000	1,316,000	50.2%	362,000	214,000	69.2%
Winona	18,577,000	17,884,000	3.9%	3,659,000	3,624,000	1.0%
Wright	45,880,000	36,374,000	26.1%	8,148,000	6,184,000	31.8%
Yellow Medicine	949,000	1,608,000	-41.0%	172,000	300,000	-42.7%
TOTALS	\$1,431,201,000	\$1,436,729,000	-0.4%	\$258,383,000	\$262,329,000	-1.5%

NOTE: Variances in totals compared to yearly activity are attributed to reports being generated at different times and rounding of figures.

Legislative Changes

The following changes resulting from the 2002 session of the Minnesota State Legislature were effective August 1, 2002.

<u>Legislative Change</u>	<u>Description</u>
Lawful Purpose Expenditure Amended for Disaster Relief	<p>An organization may spend net profits from lawful gambling to relieve the effects of a disaster that creates an actual or imminent serious threat to the health and safety of persons, or a situation that has resulted or is likely to result in catastrophic loss to property or the environment, and for which traditional sources of relief and assistance within the affected area are unable to repair or prevent the injury or loss.</p> <p>The expenditure may be made without the prior approval of its membership if:</p> <ol style="list-style-type: none"> 1. the contribution is a lawful purpose under Minnesota Statute 349.12, subdivision 25; 2. the contribution is authorized by the organization's chief executive officer and gambling manager; and 3. the contribution is approved by the organization's membership at its next regularly scheduled monthly meeting. If the contribution is not approved by the membership at its next regularly scheduled monthly meeting, the organization shall reimburse its gambling account in the amount of the contribution. <p><i>[Minnesota Statute 349.15, subdivision 1a]</i></p>
Lawful Purpose Expenditures Added for Veterans Organizations	<p>Real Estate Taxes - The payment of real estate taxes and assessments on permitted gambling premises is a lawful purpose expenditure for a premises that is wholly leased by a licensed veterans organization under a national charter recognized under section 501(c)(19) of the Internal Revenue Code, not to exceed:</p> <ol style="list-style-type: none"> (i) for premises used for bingo, the amount that an organization may expend under board rules on rent for bingo; and (ii) \$35,000 per year for premises used for other forms of lawful gambling. <p><i>[Minnesota Statute 349.12, subdivision 25(a)(9)]</i></p> <p>Utility Costs - The payment of heat, water, sanitation, telephone, and other utility bills for a building owned or leased by, and used as the primary headquarters of a veterans organization is a lawful purpose expenditure.</p> <p><i>[Minnesota Statute 349.12, subdivision 25(a)(17)]</i></p> <p>Recognition of Military Service - Expenditures may be made by a veterans organization of up to \$5,000 in a calendar year in net costs to the organization for meals and other membership events, limited to members and spouses, held in recognition of military service.</p> <p><i>[Minnesota Statute 349.12, subdivision 25(a)(18)]</i></p>
Prize Limits Increased for Pull-tabs and Progressive Bingo	<p>The maximum prize which may be awarded for any single pull-tab is \$599 (previously \$500).</p> <p><i>[Minnesota Statute 349.211, subdivision 2a]</i></p> <p>The prize for a progressive bingo game may start at \$500 (previously \$300) and be increased by up to \$100 for each occasion during which the progressive bingo game is played. The total amount awarded in progressive bingo game prizes in any calendar year may not exceed \$48,000 (previously \$36,000).</p> <p><i>[Minnesota Statute 349.211, subdivision 2]</i></p>
Sales from Bar Operation Allowed with Pull-tab Dispensing Devices	<p>At a premises where an organization has a pull-tab bar operation (tickets sold by the lessor or bartenders), pull-tabs may now also be sold from a pull-tab dispensing device. Previously, a pull-tab dispensing device could not be operated at a premises where an organization had a bar operation.</p> <p><i>[Minnesota Statute 349.151, subdivision 4b]</i></p>

Legislative Changes (continued)

<u>Legislative Change</u>	<u>Description</u>																									
Bingo Hall, Distributor, and Manufacturers - Fees and License Terms	<p>The fees and terms of licenses were changed as follows:</p> <table><tr><th></th><th colspan="2">Initial License</th><th colspan="2">Renewal License</th></tr><tr><th>Category</th><th>Fee</th><th>Term</th><th>Fee</th><th>Term</th></tr><tr><td>Bingo hall</td><td>\$2,500</td><td>1 year</td><td>\$5,000</td><td>2 years</td></tr><tr><td>Distributor</td><td>\$3,500</td><td>1 year</td><td>\$7,000</td><td>2 years</td></tr><tr><td>Manufacturer</td><td>\$5,000</td><td>1 year</td><td>\$10,000</td><td>2 years</td></tr></table> <p><i>[Minnesota Statute 349.164, subdivision 4 Bingo Hall; Minnesota Statute 349.161, subdivision 4 Distributor; and Minnesota Statute 349.163, subdivision 2 Manufacturer]</i></p>		Initial License		Renewal License		Category	Fee	Term	Fee	Term	Bingo hall	\$2,500	1 year	\$5,000	2 years	Distributor	\$3,500	1 year	\$7,000	2 years	Manufacturer	\$5,000	1 year	\$10,000	2 years
	Initial License		Renewal License																							
Category	Fee	Term	Fee	Term																						
Bingo hall	\$2,500	1 year	\$5,000	2 years																						
Distributor	\$3,500	1 year	\$7,000	2 years																						
Manufacturer	\$5,000	1 year	\$10,000	2 years																						
Linked Bingo and Electronic Bingo Devices	<p>The Gambling Control Board is required to draft model rules relating to linked bingo games and electronic bingo devices and report the rules along with appropriate comments regarding the implementation of the model rules to the legislature by February 1, 2003.</p> <p>(NOTE: Linked bingo may not be conducted and electronic bingo devices may not be used until authorized by the Legislature.)</p>																									
TECHNICAL CHANGES																										
Fiscal year definition	<p>The definition of a fiscal year being July 1 through June 30 was deleted because organizations may have fiscal years that do not match the state's fiscal year.</p> <p><i>[Minnesota Statute 349.12, subdivision 14]</i></p>																									
Lessor of a Leased Bingo Premises	<p>The statutory language that at one time allowed the lessor of a leased bingo premises to furnish bingo equipment was repealed. This language conflicted with Minnesota Statute 349.161 subdivision 1(1) which prohibited a licensed distributor from selling gambling equipment to anyone other than an organization or the governing body of an Indian tribe.</p> <p><i>[Minnesota Statute 349.17, subdivision 5]</i></p>																									
Paddlewheel Moratorium	<p>The moratorium on approving new paddlewheels expired on July 1, 1993. The language was repealed.</p> <p><i>[Minnesota Statute 349.163, subdivision 6a]</i></p>																									
Pull-tabs: Deadline for Use	<p>Deals of pull-tabs and tipboard purchased before September 1, 1989 were required to be put into play before September 1, 1990, or be returned to the manufacturer. This language was deleted.</p> <p><i>[Minnesota Statute 349.174]</i></p>																									
Credit and Sales to Delinquent Organizations	<p>If a distributor does not receive payment in full from an organization within 35 days of the day immediately following the date of the invoice, the distributor must notify the Gambling Control Board in writing of the delinquency on the next business day.</p> <p>There is no change in the requirement that an organization must pay a distributor within 30 days of the date of the invoice. The 30 days begins with the day immediately following the day of invoice and includes all successive days, including Sundays and holidays.</p> <p>NOTE: The 5 day difference is an allowance for receipt of payments made by mail.</p> <p><i>[Minnesota Statute 349.191, subdivision 1a]</i></p>																									
Credit and Sales to Delinquent Distributors	<p>The same provisions noted above apply to manufacturers required to report delinquent distributors.</p> <p><i>[Minnesota Statute 349.191, subdivision 1b]</i></p>																									

Legislative Changes (continued)

TECHNICAL CHANGES (continued)

<u>Legislative Change</u>	<u>Description</u>
Distributor records	Distributor records must be maintained as required by Minnesota Statute 297E.05, subdivision 2 and copies provided to the Gambling Control Board upon demand. [Minnesota Statute 349.162, subdivision 2]
Licensed manufacturer	A licensed manufacturer may not also be a licensed distributor. Previously, a licensed manufacturer of paddlewheels could also be a licensed distributor if both entities were licensed as a manufacturer and distributor before May 1, 1990. [Minnesota Statute 349.163, subdivision 1 and 3]
Pull-tab and tipboard games and flares	Obsolete language was deleted that pertained to information required for pull-tab and tipboard games sold or shipped into Minnesota by the manufacturer before January 1, 1995. [Minnesota Statute 349.163, subdivision 5]
Premises permit application	The contents of a premises permit application no longer require the name of the organization's gambling manager, as this information is already provided in other documents to the Gambling Control Board. [Minnesota Statute 349.165, subdivision 2]
Gambling manager examination	Outdated language was deleted regarding the deadline that each gambling manager must pass an examination by January 1, 1996. The requirement that each applicant for a new gambling manager's license must pass an examination still remains in effect. [Minnesota Statute 349.167, subdivision 7]
Registration of employees	A current photograph is required for each compensated employee registered with the Gambling Control Board. (The language was inadvertently deleted during the 2001 session when an attempt was made to delete the requirement for ID badges.) [Minnesota Statute 349.168, subdivision 1]
Compensation records	To be consistent with other statutory language, compensation records must be kept by a licensed organization for 3-1/2 years. [Minnesota Statute 349.168, subdivision 5]
Organization reports	Organizations are required to report to the Department of Revenue, not to the Gambling Control Board, on its gross receipts, expenses, profits, and expenditure of profits from lawful gambling. This change eliminates the requirement for duplicate reporting. The Gambling Control Board has the authority to obtain the information upon demand from the licensed organization or from the Department of Revenue. In addition, obsolete language was deleted which required the organization to report the purchase of gambling equipment to the Gambling Control Board. The purchase of gambling equipment is reported by licensed distributors. (Minnesota Statute 349.19, subdivision 5)

There were no rule changes in fiscal year 2002. However, the Board initiated a comprehensive review of Minnesota Rules, Chapters 7861 through 7865 on February 20, 2001 by authorizing the publication of a Request for Comments. The comprehensive authorization included all chapters of the Board's rules, and encompassed previous authorizations to draft rules governing:

- the manufacturing standards for pull-tabs and jar tickets,
- qualifications for gambling managers, and
- tipboards with multiple seals.

The Request for Comments on the comprehensive rule review was published on March 5, 2001 in the State Register.

A Public Advisory Committee was formed to advise the Board on the provisions of the rule and to comment on rule drafts as they become available. The Committee has met with Board staff on six occasions to identify issues for inclusion in the rule review, and to comment on proposed rule language.

There is no projected date at this time for publication of the proposed rules.

Written comments received on the proposed rules may be inspected at:

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

The Board will continue to receive comment on the rules until further notice is published in the State Register.

The Board's rulemaking docket and other rule related notices can be accessed on our web site at www.gcb.state.mn.us.

Education Program

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

Continuing Education Classes

Gambling managers are required to attend one class during each year of their two-year license period.

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

During the fiscal year, 71 continuing education classes were conducted.

Continuing education classes are from 7:00 p.m. to 9:30 p.m.

Preregistration is not required.

Classes are free and open to the public.



Gambling Manager Seminars

Staff conducted 16 seminars during the fiscal year. Each seminar consisted of two days of training and included information on statutes, rules, conduct of lawful gambling, internal controls, reporting and licensing requirements, and the responsibilities of organizations conducting lawful gambling. An optional extra one-half day is provided for new organizations.

Mentoring

The Board's mentoring program provides one-on-one training to organizations on how to properly manage their gambling operation and comply with all reporting requirements. The program also provides guidance to licensed organizations that have experienced serious operational difficulties.

New organizations or existing organizations with a new gambling manager may voluntarily participate in this program.

Speaking Engagements

Staff participated in speaking engagements throughout the state at conferences and conventions, such as American Legion, VFW, Eagles, and Lions. Attending these functions allows the staff to reach a large number of people and provide up-to-date pertinent lawful gambling information.

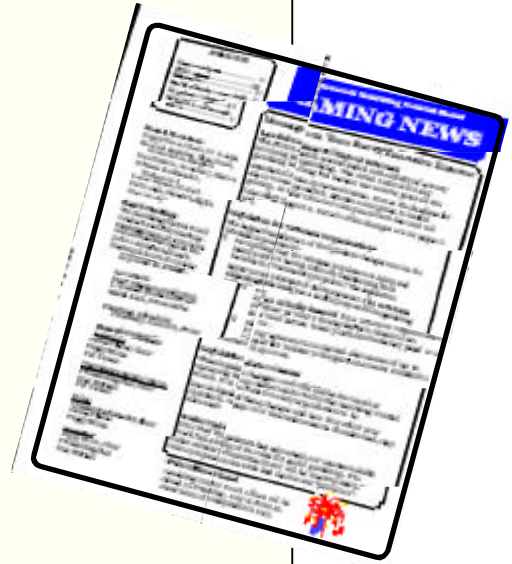
Gaming News

The Board publishes the monthly *Gaming News* newsletter on its web site at www.gcb.state.mn.us. The newsletter is also available through Minnesota's Bookstore for subscribers.

The newsletter provides up-to-date information regarding compliance, licensing, and education issues.

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

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



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

The *Manual* provides information on statute and rule requirements in an easy to understand format.

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

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

Education Program

www.gcb.state.mn.us

The Board's web site is used to help reach and educate the industry with the most current information on lawful gambling.

Organizations, gambling managers, and other interested persons may access the web site for quick, independent access to important lawful gambling information--from licensing requirements, to statistics about gambling, to the most current forms an organization may need. The contents of the web site include information in the following categories.

Continuing Education Classes

Gambling managers are required by statute to attend one class during each year of their two-year license period. Members and employees of the organizations are invited as well. Classes are open to the public.

Monthly continuing education classes are conducted free of charge at various locations throughout the state. Current schedules for continuing education classes and a tentative schedule for each year are available on the web site.

Lawful Gambling Manual

The entire *Lawful Gambling Manual*--one of the Board's most important educational tools--is available from Minnesota's Bookstore. However, the first three chapters dealing with licensing requirements are contained in their entirety on the web site.

Local Units of Government

Cities and counties may access this section of the web site to learn more about required reports that must be submitted to the Board, and their statutory authority to adopt more stringent lawful gambling regulations, charge investigations fees, and impose local gambling taxes. The reporting forms for cities and counties are available on the web site.

Annual Reports

The Board's annual reports for the past five years are available.

Licensee Lists

A list of currently licensed manufacturers, distributors, and bingo halls is available, complete with license and phone numbers. Also available is a list of licensed organizations. Users of the Board's web site can link directly to Minnesota's Bookstore for information on how to obtain a list of currently licensed organizations with addresses, phone numbers, and other information.

Regulatory Requirements

Licensing and compliance requirements and forms are included in one location on the web site. Persons needing more information can contact the license and compliance specialists assigned to each of the eighty-seven counties in Minnesota via e-mail links or by phone.

Mentoring

Organizations in need of one-on-one training may access the Request for Mentoring form, including instructions on the steps to take to receive mentoring.



Other Links

The web site allows access to specific lawful gambling statutes and rules. Links to the Secretary of State's Office, Department of Revenue, Alcohol and Gambling Enforcement Division of Public Safety, and other state agencies are also available.



**"Everything you always
wanted to know about
lawful gambling..."**

can be found on the
Board's web site at

www.gcb.state.mn.us

- ? **Board information**
- ? **Meeting dates**
- ? **Phone numbers**

Get connected!

- ✍ **Links to other agencies**
- ✍ **Link to legislature**
- ✍ **E-mail links to staff**
- ✍ **Automatic updates**

- ✍ **Education Information**
- ✍ **Training dates**
- ✍ **Request for Mentoring**

- ? **Licensing information**
- ? **Forms**
- ? **Lawful gambling statutes
and rules**

- ✍ **List of Distributors**
- ✍ **List of Manufacturers**
- ✍ **List of Bingo Halls**

- **CEO Guidebook**
- **Restrictions on Who May Play**
- **Pull-tab Requirements**
- **Illegal Gambling**
- **Raffle Ticket Requirements**
- **Frequently Asked Bingo Questions**
- **Lawful Gambling Manual**
- **Gaming News**

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

651-639-4000

www.gcb.state.mn.us

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