



Minnesota Gambling Control Board

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Annual Report of the Minnesota Gambling Control Board

**Fiscal Year
2003**

July 1, 2002 - June 30, 2003



Message from the Board Chair and Executive Director

December 15, 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 fiscal year beginning July 1, 2002, through June 30, 2003. 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	8/02 to 6/06
James Hynes	St. Paul	Governor	1/01 to 6/04
William Barbknecht	Underwood	Governor	1/01 to 6/04
Pat Davies	Mendota Heights	Attorney General	12/01 to 6/03
Jerry Dexter	White Bear Lake	Governor	8/02 to 6/06

Executive Director

Tom Barrett

Board Counsel

E. Joseph Newton, Assistant Attorney General

FY 2003 expenditures: \$ 2,272,868
 Board staff: 31 (FTE 29)

Statement of Cash Receipts and Industry Overview

Cash Receipts

Licenses	Fee	Total Collected
Manufacturer license	\$5,000	\$ 25,000
Distributor license	3,500	59,000
Bingo Hall license	2,500	28,500
Organization license	none	0
Gambling Manager license	200	54,000
Premises Permit	vary \$150 - \$400	\$137,200
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	67,600
Total license and permit fees		371,300
Total civil penalties and fines	vary	62,250
Total fees and penalties collected		433,550

State Gambling Taxes (collected by Department of Revenue, after refunds) **56,132,000**

Total fees, penalties, and taxes collected by the State **\$ 56,565,550**

(Due to a law change all licensees must begin paying fees based on a new fee structure effective 7/1/03. Fee totals reflect onetime prorated credits for licensees who paid for licenses extending beyond 7/1/03.)

Industry Overview

During fiscal year 2003, the Minnesota lawful gambling industry consisted of:

<u>Licenses and Activities</u>	<u>Description</u>
8 manufacturers	Sold product to licensed distributors.
18 distributors	Sold product to licensed lawful gambling organizations.
10 bingo halls	Locations where more than one organization leases space to conduct bingo.
1,443 nonprofit organizations	Licensed organizations conduct gambling at permitted premises.

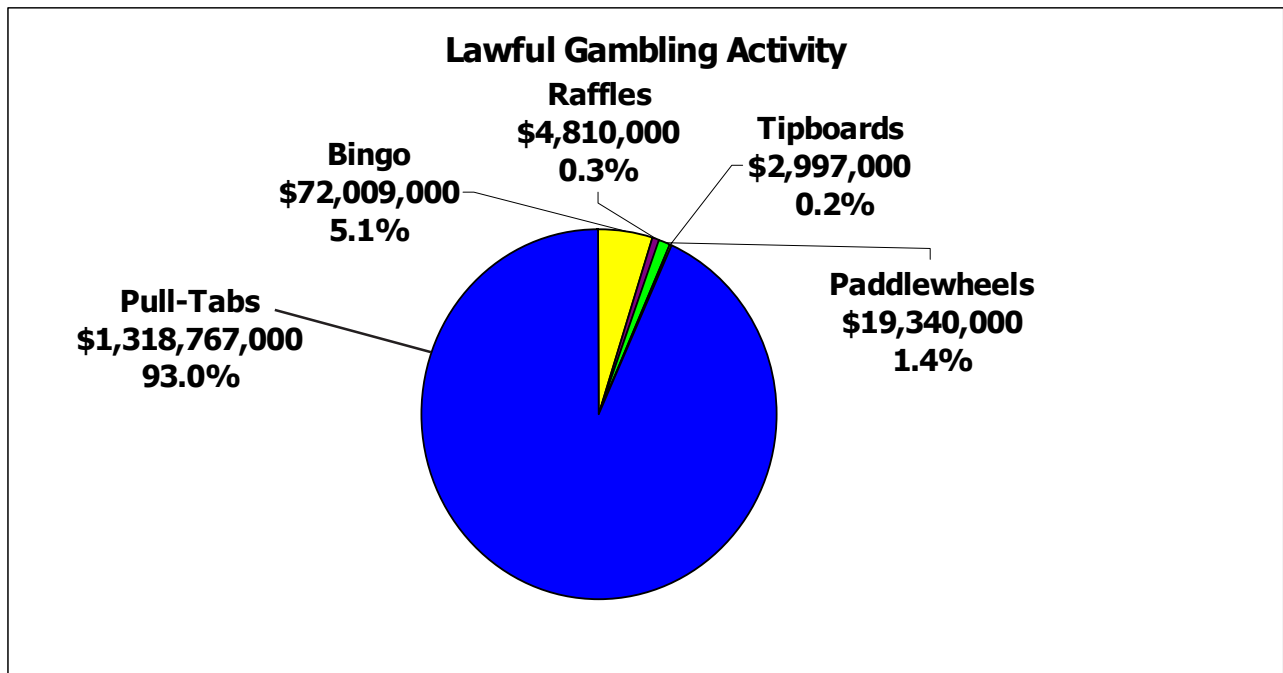
<u>Type of Organization</u>	<u>Number</u>	<u>Percent</u>
FRATERNAL - Lions, Eagles & Auxiliary, Moose, Elks, Knights of Columbus	190	13%
VETERANS - American Legion & Auxiliary, VFW & Auxiliary	402	28%
RELIGIOUS - Church/Cathedral	34	2%
OTHER NONPROFIT - Fire relief, hockey, Jaycees, baseball, athletic, rod and gun, snowmobile, business/chamber/development, sportsman, community, other	817	57%
TOTAL:	<u>1,443</u>	<u>100%</u>

1,443	gambling managers	Gambling managers are members of licensed nonprofit organizations and are responsible for supervising the organizations' lawful gambling operations.
3,048	premises permits	1,443 licensed nonprofit organizations were issued 3,048 premises permits.
2,023	exempt organizations	Permitted organizations conduct limited gambling up to five days per calendar year. In fiscal year 2003, exempt organizations conducted 2,829 activities.
927	excluded organizations	Nonprofit organizations may apply for authorization to conduct excluded raffle or bingo activities. In fiscal year 2003, 1,231 excluded activities were conducted.

Lawful Gambling Statistics

Fiscal Year 2003 Summary

ACTIVITY	Gross Receipts (sales)		Prizes Paid	Net Receipts (gross less prizes)		% Payout	
	FY 2003	% Change from FY02	FY 2003	FY 2003	% Change from FY02	FY03	FY02
Pull-Tabs	1,318,767,000	- 1.3	1,088,359,000	230,408,000	- 2.2	82.5	82.4
Bingo	72,009,000	0.1	56,465,000	15,544,000	- 4.3	78.4	77.4
Paddlewheels	19,340,000	0.0	15,349,000	3,991,000	7.5	79.4	80.8
Raffles	4,810,000	12.5	2,522,000	2,288,000	12.9	52.4	52.6
Tipboards	2,997,000	3.9	1,896,000	1,101,000	5.1	63.3	63.7
Interest Income	277,000	-42.7	- 0 -	277,000	-42.7		
TOTALS	\$1,418,200,000	- 1.2	\$1,164,591,000	\$ 253,609,000	- 2.1	82.1	81.9



Ten-Year Comparison (percent change from previous fiscal year)						
FY	Gross Receipts		Prizes Paid		Net Receipts	
03	\$1,418,200,000	-1.2%	\$1,164,591,000	-1.0%	\$253,609,000	-2.1%
02	1,435,426,000	-0.1%	1,176,268,000	0.2%	259,158,000	-1.1%
01	1,436,603,000	-4.2%	1,174,490,000	-4.2%	262,113,000	-4.4%
00	1,500,042,000	3.5%	1,225,813,000	3.8%	274,229,000	2.2%
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%

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



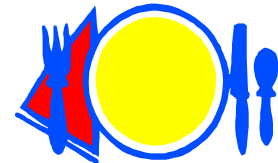
Scholarship funds, and private or public nonprofit educational institutions



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



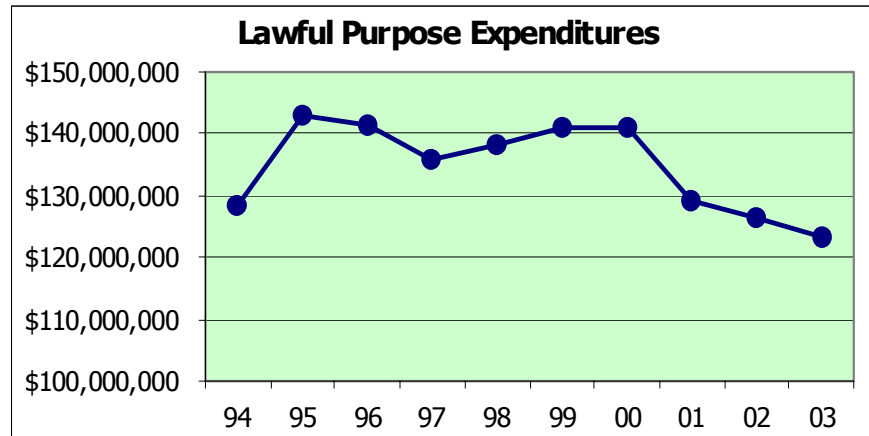
Other Lawful Purpose Expenditure Categories

- 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; state lawful gambling license fees
- Specific utility costs and membership events by veterans organizations

Lawful Purpose Expenditures

Ten-Year Comparison

03	\$123,138,000
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



Lawful Purpose Expenditures

	FY 2003	FY 2002	% Change
Charitable Contributions	\$ 67,006,000	\$ 70,091,000	- 4.4
State Gambling Taxes Paid	56,132,000	56,423,000	- 0.5
Gross Receipts State Tax	22,605,000	22,931,000	- 1.4
Net Receipts State Tax	1,888,000	1,906,000	- 0.9
Combined Receipts State Tax	31,639,000	31,586,000	+ 0.2
TOTALS	\$ 123,138,000	\$ 126,514,000	- 2.7%

State Gambling Taxes

	Taxes Paid	Refund*	Taxes After Refund
03	\$62,698,000	\$6,566,000	\$56,132,000
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		

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

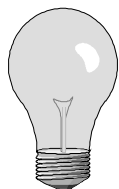
An allowable expense is an expense or a proportion of an expense directly related to the conduct of lawful gambling. Organizations are allowed to spend up to 55 percent of net receipts toward these types of operating costs. A higher limit is authorized for the net receipts from bingo.

Allowable expenses as reported to the Department of Revenue included:

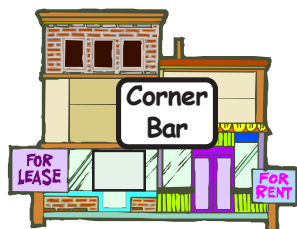
Operating Cost	FY03	FY02	% Change
Compensation and payroll taxes	\$ 65,409,000	\$66,012,000	- 0.9
Gambling equipment (pull-tabs, bingo paper, tipboards, paddletickets)	25,271,000	25,790,000	- 2.0
Rent	23,439,000	23,390,000	0.2
Accounting and legal work	4,667,000	4,725,000	- 1.2
Office supplies and misc. expenses	5,928,000	5,892,000	0.6
Gambling device purchase (paddlewheel & table, bingo selection device, pull-tab dispensing device), storage, and maintenance	2,302,000	2,604,000	- 11.6
Penalty and interest paid	80,000	49,000	63.3
Cash shortages (see next page)	1,600,000	1,801,000	- 11.2
Utilities	1,433,000	1,590,000	- 9.9
Bond, license, permits (Percent change due to two-year licensing cycle)	606,000	1,145,000	- 47.1
Advertising	534,000	557,000	- 4.1
Theft and liability insurance	771,000	636,000	21.2
Expenses were offset by reimbursements from a source of nongambling funds for the following:			
Excess cash shorts	(217,000)	(314,000)	-30.9
Negative expense calculations	(1,351,000)	(1,230,000)	9.8



Office Supplies



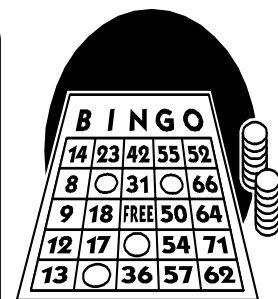
Utilities



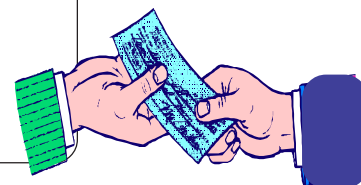
Rent

Ten-Year Comparison of Allowable Expenses

03	\$ 130,471,000
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

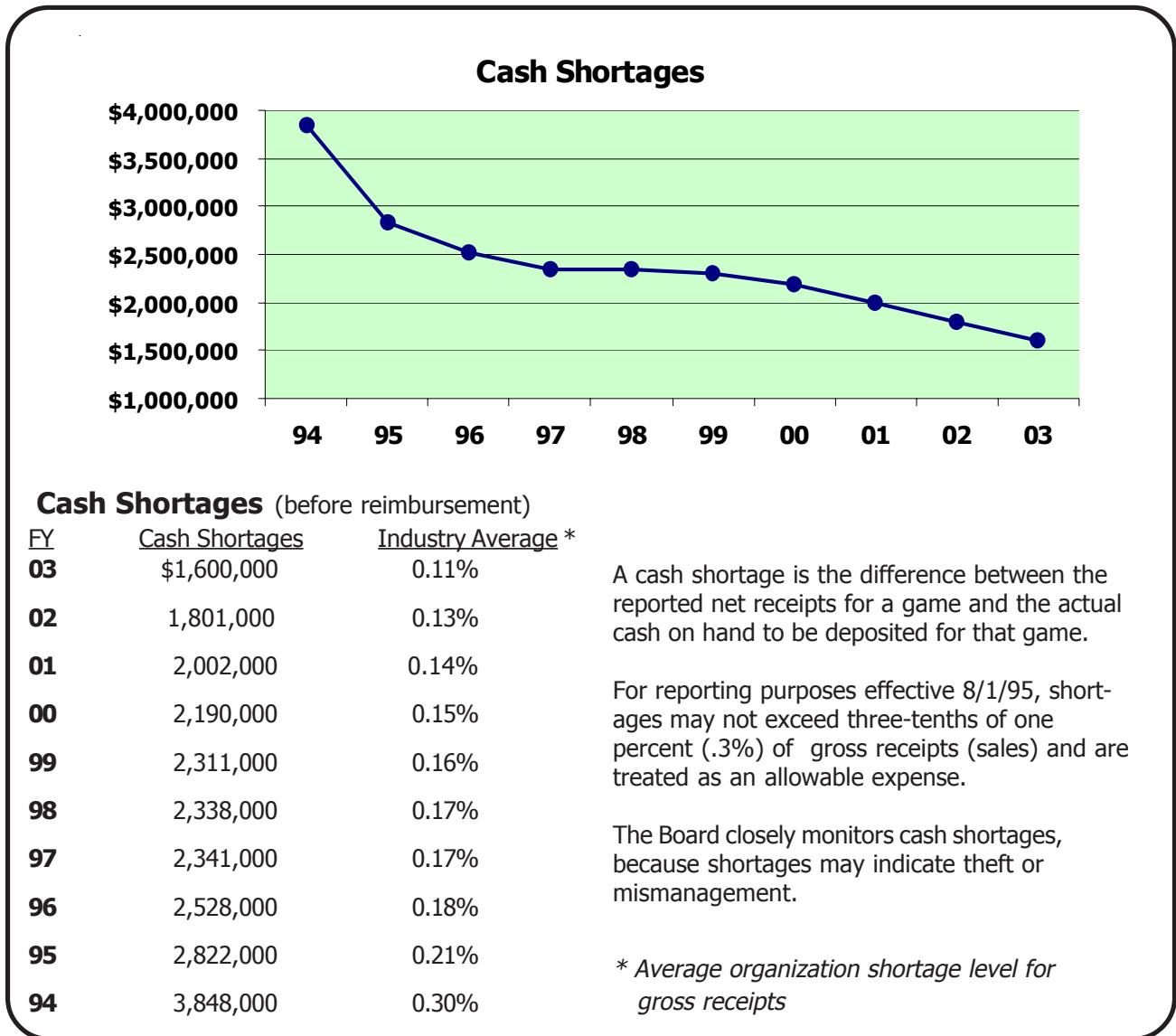
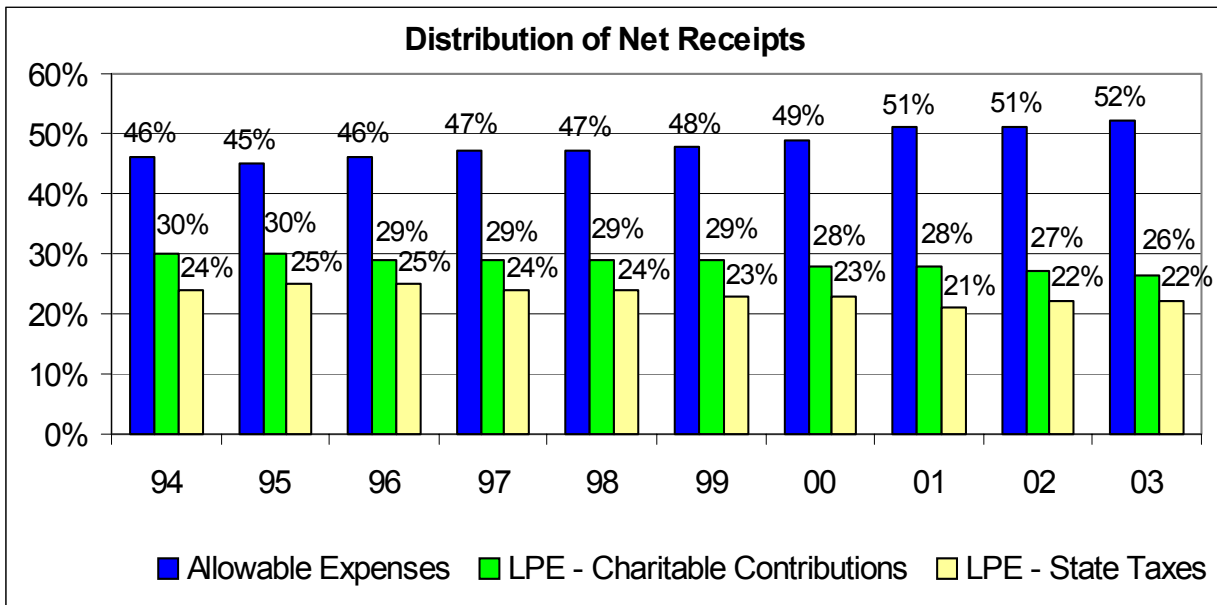


Gambling Equipment



Compensation

Lawful Gambling Statistics



Lawful Gambling Activity within a County

COUNTY	G R O S S			N E T (after prizes)		
	RECEIPTS FY03	RECEIPTS FY02	% CHANGE since FY02	RECEIPTS FY03	RECEIPTS FY02	% CHANGE since FY02
Aitkin	14,224,000	14,952,000	-4.9%	2,448,000	2,552,000	-4.1%
Anoka	100,779,000	104,646,000	-3.7%	17,981,000	18,575,000	-3.2%
Becker	12,641,000	13,537,000	-6.6%	2,177,000	2,377,000	-8.4%
Beltrami	9,112,000	9,681,000	-5.9%	1,435,000	1,585,000	-9.5%
Benton	11,221,000	10,934,000	2.6%	2,201,000	2,178,000	1.1%
Big Stone	473,000	595,000	-20.5%	72,000	101,000	-28.7%
Blue Earth	16,453,000	16,514,000	-0.4%	3,375,000	3,451,000	-2.2%
Brown	6,273,000	6,586,000	-4.8%	1,106,000	1,122,000	-1.4%
Carlton	15,354,000	14,526,000	5.7%	2,094,000	2,044,000	2.4%
Carver	13,839,000	13,700,000	1.0%	2,426,000	2,435,000	-0.4%
Cass	12,225,000	11,342,000	7.8%	2,038,000	2,010,000	1.4%
Chippewa	4,507,000	4,816,000	-6.4%	723,000	768,000	-5.9%
Chisago	10,838,000	11,533,000	-6.0%	1,909,000	2,050,000	-6.9%
Clay	13,295,000	13,140,000	1.2%	2,495,000	2,490,000	0.2%
Clearwater	3,363,000	3,810,000	-11.7%	565,000	640,000	-11.7%
Cook	48,000	11,000	336.4%	12,000	3,000	300.0%
Cottonwood	1,710,000	1,730,000	-1.2%	315,000	306,000	2.9%
Crow Wing	34,416,000	32,966,000	4.4%	6,277,000	6,080,000	3.2%
Dakota	65,616,000	68,183,000	-3.8%	11,886,000	12,425,000	-4.3%
Dodge	4,001,000	3,888,000	2.9%	752,000	724,000	3.9%
Douglas	20,714,000	20,176,000	2.7%	3,102,000	2,948,000	5.2%
Faribault	4,879,000	5,237,000	-6.8%	896,000	993,000	-9.8%
Fillmore	7,719,000	7,643,000	1.0%	1,459,000	1,479,000	-1.4%
Freeborn	12,075,000	12,813,000	-5.8%	2,298,000	2,412,000	-4.7%
Goodhue	10,048,000	10,894,000	-7.8%	1,763,000	1,861,000	-5.3%
Grant	3,646,000	4,088,000	-10.8%	522,000	525,000	-0.6%
Hennepin	203,607,000	202,810,000	0.4%	36,246,000	36,679,000	-1.2%
Houston	5,916,000	5,982,000	-1.1%	1,115,000	1,179,000	-5.4%
Hubbard	13,350,000	13,653,000	-2.2%	1,796,000	1,795,000	0.1%
Isanti	9,996,000	9,813,000	1.9%	1,707,000	1,662,000	2.7%
Itasca	19,295,000	18,681,000	3.3%	3,237,000	3,321,000	-2.5%
Jackson	1,170,000	1,493,000	-21.6%	226,000	268,000	-15.7%
Kanabec	4,227,000	4,589,000	-7.9%	790,000	871,000	-9.3%
Kandiyohi	9,146,000	9,872,000	-7.4%	1,622,000	1,729,000	-6.2%
Kittson	1,206,000	1,715,000	-29.7%	206,000	280,000	-26.4%
Koochiching	6,397,000	6,465,000	-1.1%	1,114,000	1,129,000	-1.3%
Lac qui Parle	1,263,000	1,788,000	-29.4%	213,000	296,000	-28.0%
Lake	4,253,000	3,931,000	8.2%	743,000	701,000	6.0%
Lake of the Woods	5,909,000	5,892,000	0.3%	874,000	839,000	4.2%
Le Sueur	8,656,000	9,190,000	-5.8%	1,569,000	1,692,000	-7.3%
Lincoln	1,045,000	982,000	6.4%	230,000	218,000	5.5%
Lyon	3,624,000	3,296,000	10.0%	722,000	670,000	7.8%
Mahnomen	724,000	646,000	12.1%	110,000	105,000	4.8%
Marshall	4,628,000	4,868,000	-4.9%	737,000	780,000	-5.5%
Martin	8,377,000	7,591,000	10.4%	1,450,000	1,377,000	5.3%

Lawful Gambling Activity within a County

COUNTY	G R O S S			N E T (after prizes)		
	RECEIPTS		% CHANGE since FY02	RECEIPTS		% CHANGE since FY02
	FY03	FY02		FY03	FY02	
McLeod	13,671,000	13,175,000	3.8%	2,475,000	2,360,000	4.9%
Meeker	7,409,000	6,944,000	6.7%	1,433,000	1,328,000	7.9%
Mille Lacs	14,872,000	14,703,000	1.1%	2,694,000	2,640,000	2.0%
Morrison	21,213,000	22,165,000	-4.3%	3,698,000	3,806,000	-2.8%
Mower	13,848,000	15,448,000	-10.4%	2,879,000	3,215,000	-10.5%
Murray	1,429,000	1,697,000	-15.8%	287,000	330,000	-13.0%
Nicollet	6,519,000	6,859,000	-5.0%	1,269,000	1,283,000	-1.1%
Nobles	2,886,000	3,150,000	-8.4%	559,000	620,000	-9.8%
Norman	2,536,000	2,212,000	14.6%	392,000	356,000	10.1%
Olmsted	21,310,000	22,780,000	-6.5%	4,522,000	4,898,000	-7.7%
Otter Tail	22,747,000	23,135,000	-1.7%	3,905,000	4,026,000	-3.0%
Pennington	6,607,000	7,111,000	-7.1%	1,143,000	1,201,000	-4.8%
Pine	11,546,000	11,755,000	-1.8%	1,997,000	2,076,000	-3.8%
Pipestone	523,000	406,000	28.8%	117,000	96,000	21.9%
Polk	19,341,000	19,743,000	-2.0%	3,179,000	3,198,000	-0.6%
Pope	6,324,000	6,205,000	1.9%	1,121,000	1,096,000	2.3%
Ramsey	139,565,000	143,368,000	-2.7%	26,772,000	28,219,000	-5.1%
Red Lake	2,169,000	2,121,000	2.3%	364,000	326,000	11.7%
Redwood	2,682,000	2,903,000	-7.6%	491,000	520,000	-5.6%
Renville	3,844,000	4,076,000	-5.7%	652,000	677,000	-3.7%
Rice	15,858,000	16,877,000	-6.0%	3,067,000	3,249,000	-5.6%
Rock	1,582,000	1,487,000	6.4%	272,000	255,000	6.7%
Roseau	4,784,000	4,814,000	-0.6%	808,000	806,000	0.2%
Scott	22,170,000	21,997,000	0.8%	3,938,000	3,921,000	0.4%
Sherburne	30,634,000	30,651,000	-0.1%	5,017,000	5,086,000	-1.4%
Sibley	5,516,000	5,942,000	-7.2%	966,000	999,000	-3.3%
St. Louis	69,475,000	70,881,000	-2.0%	11,046,000	11,330,000	-2.5%
Stearns	56,936,000	56,871,000	0.1%	11,288,000	11,373,000	-0.7%
Steele	11,709,000	12,059,000	-2.9%	2,096,000	2,209,000	-5.1%
Stevens	2,130,000	2,430,000	-12.3%	394,000	438,000	-10.0%
Swift	4,237,000	4,417,000	-4.1%	779,000	809,000	-3.7%
Todd	12,927,000	12,971,000	-0.3%	2,224,000	2,218,000	0.3%
Traverse	445,000	456,000	-2.4%	75,000	82,000	-8.5%
Wabasha	10,202,000	10,972,000	-7.0%	1,818,000	1,957,000	-7.1%
Wadena	5,262,000	5,477,000	-3.9%	875,000	931,000	-6.0%
Waseca	6,271,000	6,321,000	-0.8%	1,131,000	1,141,000	-0.9%
Washington	44,351,000	45,780,000	-3.1%	8,338,000	8,851,000	-5.8%
Watonwan	3,459,000	3,612,000	-4.2%	618,000	670,000	-7.8%
Wilkin	1,344,000	1,540,000	-12.7%	229,000	261,000	-12.3%
Winona	17,224,000	18,259,000	-5.7%	3,377,000	3,639,000	-7.2%
Wright	39,520,000	38,337,000	3.1%	6,659,000	6,577,000	1.2%
Yellow Medicine	1,275,000	1,057,000	20.6%	239,000	195,000	22.6%
TOTALS	1,410,610,000	1,434,362,000	-1.7%	252,237,000	258,993,000	-2.6%

NOTE: Receipts are based on **sites** located within a county (in annual reports prior to FY03, receipts were based on **organizations** located within a county). Variances between the above totals and those listed on page 5 are due to rounding and reports being generated at different times.

Legislative Changes - Effective May 31, 2003

Rent is all-inclusive

For leases negotiated after May 31, 2003, amounts paid as rent by the organization to the lessor are all-inclusive (except bingo rent). No other services provided or contracted by the lessor may be paid by the organization, including but not limited to:

- trash removal,
- janitorial and cleaning services,
- snow removal,
- lawn services,
- electricity,
- heat,
- security,
- security monitoring,
- storage,
- other utilities or services, and
- in the case of bar operations, compensation for cash shortages.

Organizations must obtain approval from the director of the Gambling Control Board for any other expenditure that is related to a leased premises.

Rent payments may not be made to an individual.
[Minnesota Statute 349.18, Subd. 1(c)]

Leases negotiated after May 31, 2003 must follow new limits for rent payments (see next page) which are based on gross profits reported by the licensed organization.

Lower rates can still be negotiated between the licensed organization and the lessor but the new limits will allow for an equitable rate that is the same for all organizations.

New rent limits differentiate between a "booth operation" (involving employees of the licensed organization) and a "bar operation" (involving employees of the lessor).

The new rent limits cover leases where pull-tabs, tipboards and paddlewheel activity are conducted.

No changes were made to bingo rent.

Legislative Changes - Effective May 31, 2003

New rent limits for a "booth operation" (1)

For sites where any licensed organization uses a booth operation, rent is based on the following:

- Up to 10% of gross profits (net after prizes) is allowed with a cap (maximum) of \$1,750 paid per month.
- For sites with less than \$4,000 gross profit per month, a maximum rent of \$400 is allowed.
- The maximum rent allowed may not exceed \$1,750 in total per month for **all** organizations at the site/premises.

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

(1) Booth operation means a method of selling and redeeming gambling equipment by an employee of a licensed organization in a site/premises the organization leases or owns where such sales and redemptions are made within a separate enclosure that is distinct from areas where food and beverages are sold. [Minnesota Statute 349.12, Subd. 6a]

For sites where **any** organization conducts:

- Booth operation
- Booth operation and pull-tab dispensing device
- Booth operation and bar operation
- Booth operation, bar operation, and pull-tab dispensing device

New rent limits for a "bar operation" (2)

For sites where any licensed organization uses a bar operation (and there is no booth operation), rent is based on the following:

- Up to 20% of gross profits (net after prizes) is allowed with a cap (maximum) of \$2,000 paid per month.
- For sites with less than \$1,000 gross profit per month, a maximum rent of \$200 is allowed.
- The maximum rent allowed may not exceed \$2,000 in total per month for **all** organizations at the site/premises.

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

(2) Bar operation means a method of selling and redeeming gambling equipment within a leased site/premises licensed for the on-sale of alcoholic beverages where such sales and redemption are made by an employee of the lessor from a common area where food and beverages are also sold.

[Minnesota Statute 349.12, Subd. 3b]

For sites where **any** organization conducts:

- Bar operation
- Bar operation with pull-tab dispensing device
- Pull-tab dispensing device only

If one organization has a booth operation and another organization has a bar operation at the same site, the rent limit for booth operations applies to both organizations.

Legislative Changes - Effective July 1, 2003

Funding source for Board changed

A lawful gambling regulation account was established for the operations of the Board. The Legislature establishes the amount that is available for the biennial appropriation to the Board.

All license and permit fees for lawful gambling are deposited in the state treasury and credited to the lawful gambling regulation account in the special revenue fund.

Fees effective July 1, 2003

Organization license

- The annual fee for an organization license is \$350.
- However, the term of the license is two years.
- The four classes of organization licenses (A, B, C, and D) were eliminated.
- Fees are paid annually to the Gambling Control Board.

Organizations that expect to receive less than \$100,000 in gross annual receipts may request a waiver of the annual organization license fee from the Gambling Control Board. This waiver does not apply to the gambling manager and premises permit fees.

[Minnesota Statute 349.16, Subd. 6]

Gambling manager license

- The annual fee for a gambling manager license is \$100.
- The term of the license is concurrent with the organization license.
- Fees are paid annually to the Gambling Control Board.

[Minnesota Statute 349.167, Subd. 2]

Premises permit

- The annual fee for each premises permit is \$150.
- The term of the permit is concurrent with the organization license.
- The four classes of premises permits and corresponding two-year fees (class A \$400, class B \$250, Class C \$200, Class D \$150) were eliminated.
- Fees are paid annually to the Gambling Control Board.

[Minnesota Statute 349.165, Subd. 3(a)]

Regulatory fee

In addition to the fee for each premises permit, an organization must pay a monthly regulatory fee of 0.1 percent (.001) of the organization's gross receipts from lawful gambling conducted at each site.

- The fee is reported and paid on a monthly basis in a format determined by the Commissioner of Revenue, and paid to the Commissioner of Revenue along with the organization's monthly tax return for each premises.
- Failure to pay the monthly regulatory fees in a timely manner may result in disciplinary action by the Gambling Control Board.

[Minnesota Statute 349.165, Subd. 3(b)]

Legislative Changes - Effective July 1, 2003

Fees are lawful purpose

The following fees are a lawful purpose expenditure (instead of an allowable expense):

- organization license (reported on LG1010 Schedule C/D, code A-19)
- gambling manager license (reported on LG1010 Schedule C/D, code A-19)
- premises permit fee (reported on LG1010 Schedule C/D, code A-19)
- monthly regulatory fee (reported on G1 Lawful Gambling Monthly Summary and Tax Return)

[Minnesota Statute 349.12, Subd. 25(a)(19)]

Fee transition - one time prorated credit

Effective July 1, 2003, all licensees must begin paying the applicable fees (organization license, premises permit, gambling manager license, and monthly regulatory fee).

The Gambling Control Board provided a onetime, prorated credit for fees paid by licensees prior to July 1, 2003 that were to extend beyond July 1, 2003. The original term of the license remains the same.

SUMMARY OF LICENSES, PERMITS, FEES AND TERMS		
LICENSE/PERMIT	F E E	TERM OF LICENSE/PERMIT (no change in terms)
Organization license [Minnesota Statute 349.16, Subd. 6]	\$350 annual fee	2 years
Premises permit [Minnesota Statute 349.165, Subd. 3(a) and (b)]	• \$150 annual fee • .001 monthly regulatory fee	Concurrent with organization license
Gambling manager [Minnesota Statute 349.167, Subd. 2]	\$100 annual fee	Concurrent with organization license
Bingo hall [Minnesota Statute 349.164, Subd. 4]	\$4,000 annual fee	1 year
Distributor [Minnesota Statute 349.161, Subd. 4(a)]	\$6,000 annual fee	1 year
Distributor salesperson (new license created) [Minnesota Statute 349.161, Subd. 4(b)]	\$100 annual fee	1 year
Manufacturer [Minnesota Statute 349.163, Subd. 2]	\$9,000 annual fee	1 year
Games - submitted for approval (per form number)	\$25	
Games - sample test (1 game from family) [Minnesota Statute 349.163, Subd. 6]	\$100	
Exempt permit [Minnesota Statute 349.166, Subd. 2(a)(3)]	\$50	Per event

Legislative Changes - Effective August 1, 2003

Employee compensation

The compensation schedule is no longer required to be filed with the Board.
[Minnesota Statute 349.168, Subd. 9 repealed]

Organizations may now do an electronic transfer to a payroll processing firm account, and payment may then be made by check from the payroll processing firm. Authorization for the electronic transfer to the payroll processing firm must be signed by at least two members authorized to sign checks.
[Minnesota Statute 349.168, Subd. 6; Minnesota Statute 349.19, Subd. 3]

Compensation to lessor prohibited

Effective August 1, 2003, compensation (for wages) **may not** be paid to a lessor or lessor's employees. The only time a lessor or lessor's employees may be paid is if the person is employed by the organization only for the sale of pull-tabs and tipboards from a booth operation.
[Minnesota Statute 349.168, Subd. 10]

Employees

Paid gambling employees must be registered with the Gambling Control Board. However, the picture identification (badge) is no longer required.
[Minnesota Statute 349.168, Subd. 1]

Each person receiving compensation (wages) for the conduct of lawful gambling must publicly display the person's name at all times while conducting the lawful gambling.
[Minnesota Statute 349.168, Subd. 2]

Gambling account - other electronic transfers allowed

Electronic transfers are now allowed for insurance and payroll processing charges (in addition to utilities and taxes). The authorization for the electronic transfer must be signed by at least two members authorized to sign checks.
[Minnesota Statute 349.19, Subd. 3]

Gambling manager

Membership requirements

- For new organizations, the gambling manager is required to be a member for at least two years at the time of the organization's initial application for an organization license.
- For existing licensed organizations, the gambling manager must have been an active organization member for at least the most recent six months prior to the effective date of the organization's renewal license.
[Minnesota Statute 349.12, Subd. 19]

Continuing Education

Gambling managers must receive continuing education training during each year of the term of their license.

- If a gambling manager fails to attend training during the first year of their license, he/she must pass a gambling manager examination (by the end of the 12th month).
- If a gambling manager fails to attend training during the the second year of their license, he/she must pass a gambling manager examination (by the end of the 24th month).

A gambling manager who fails the examination must attend a gambling manager seminar and pass the examination.

[Minnesota Statute 349.167, Subd. 4(2) and Subd. 7]

Legislative Changes - Effective August 1, 2003

Lawful purpose expenditure for military honor guards

An organization may spend net profits from lawful gambling for activities that recognize military service. The statute was amended to clarify that the reimbursement rate for participants of military marching, color guard, or honor guard units may be up to \$35 per diem (day), instead of per occasion. [Minnesota Statute 349.12, Subd. 25(a)(6)]

Definitions provided

Veterans post home means a building, or portion of a building, that is leased or owned by one or more licensed veterans organizations, and that is considered the post home for all licensed veterans organizations at that site. [Minnesota Statute 349.12, Subd. 36]

Wholly leased building means a building that is leased in its entirety by a licensed organization, and no part or portion of the building is subleased to any other entity or licensed organization. [Minnesota Statute 349.12, Subd. 37]

Wholly owned building means a building that is owned in its entirety by a licensed organization, and no part or portion of the building is subleased to any other entity or licensed organization. [Minnesota Statute 349.12, Subd. 38]

Lawful purpose amended for veterans organizations

Utility costs

For a building wholly owned or wholly leased by and used as the primary headquarters of the licensed veterans organization, the **only** utilities that may now be paid as a lawful purpose are:

- water,
- fuel for heating,
- electricity, and
- sewer costs.

[Minnesota Statute 349.12, Subd. 25(a)(17)]

Recognition of military service, membership only events

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.

No more than \$5,000 can be expended in total per calendar year by all licensed organizations sharing the same veterans post home. [Minnesota Statute 349.12, Subd. 25(a)(18)]

Other Legislative Changes

Excluded raffles Effective August 1, 2003, raffles may be conducted by an organization without a license and without complying with Minnesota Statutes 349.154 to 349.165 and 349.167 to 349.213 if the value of all raffle prizes awarded by the organization in a calendar year does not exceed \$1,500 (previously was \$750).
[Minnesota Statute 349.166, Subd. 1(c)]

Gambling equipment: sales, credit, stamps, and pull-tab dispensing devices Effective July 1, 2003, the Board must provide distributors with registration stamps (for permanent equipment) free of charge (5 cent stamp fee eliminated).
[Minnesota Statute 349.162, Subd. 1]

- Effective August 1, 2003:
- a distributor may purchase gambling equipment returned from an organization licensed under Minnesota Statute 349.16 or exempt or excluded from licensing under Minnesota Statute 349.166.
[Minnesota Statute 349.161, Subd. 5]
 - a manufacturer may not offer or extend to a distributor, a linked bingo game provider may not offer or extend to an organization, and a distributor may not offer or extend to an organization, credit for a period of more than 30 days for the sale or lease of any gambling equipment.
[Minnesota Statute 349.191, Subd. 1]
 - manufacturers are no longer required to pay the Board for independent testing of new pull-tab testing devices. (Manufacturer will directly pay an independent lab approved by the director.)
[Minnesota Statute 349.151, Subd. 4b; Minnesota Statute 349.163, Subd. 6]
-

High school raffles Effective August 1, 2003, sections 609.755 and 609.76 were amended to require that all raffle tickets must be sold for the same price and that tickets may only be sold to persons 18 years of age or older.
[Minnesota Statute 609.761, Subd. 5]

Linked bingo The game of linked bingo was approved by the Legislature. However, linked bingo games may not be conducted and linked bingo prize providers may not be licensed until rules are promulgated and adopted by the Gambling Control Board.

Linked bingo games may not be conducted by an exempt or excluded organization.
[Minnesota Statute 349.166, Subd. 2(a)]

Linked bingo games may not be conducted at a noon hour bingo occasion.
[Minnesota Statute 349.17, Subd. 7(6)]

Pricing reports When required by the board, manufacturers and distributors must file with the director the prices at which they will sell all gambling equipment currently offered for sale. The filing must be in a format the director prescribes (effective August 1, 2003).
[Minnesota Statute 349.169, Subd. 1] Minnesota Statute 349.169, Subd. 3 amended to include volume discounts.

Pull-tab prize payout On or after January 1, 2004, a licensed organization may not put into play a pull-tab or tipboard deal that provides for a prize payout of greater than 85% of the ideal gross of the deal. The maximum payout percentage includes any last sale prize added by the distributor.
[Minnesota Statute 349.2113]

No rule changes occurred in fiscal year 2003. The Board is in the process of conducting a comprehensive rule review of Minnesota Rules, Chapters 7861 through 7865.

During the 2003 Legislative Session, the Board was granted the authority to promulgate rules governing linked bingo. Linked bingo rules will become part of the comprehensive rule review and amendments package.

The Request for Comments on the rule review was published in 2001 in the State Register and remains open at this time.

The Public Advisory Committee, which was formed to advise the Board on the provisions of the rule amendments and to comment on rules drafts, met on several occasions during the past year to review rule drafts and provide opinions on rules issues and concerns.

There is no projected date at this time for publication of 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 comments 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 at www.gcb.state.mn.us.

Education Program

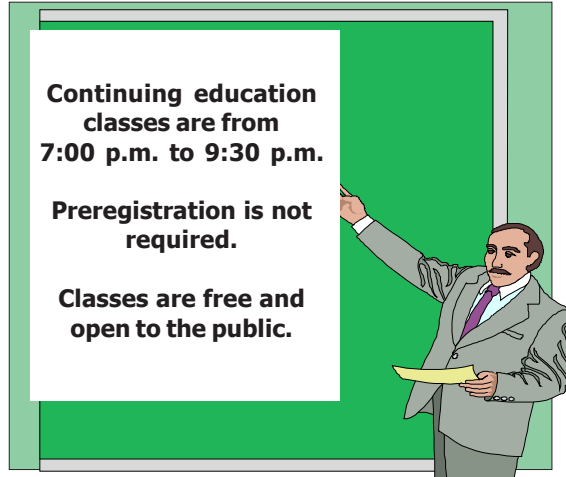
An integral part of the Board's mission is educating the lawful gambling industry. To ensure the integrity of the industry, education is provided to organizations through the following opportunities.

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, 58 continuing education classes were conducted.



Gambling Manager Seminars

Gambling manager seminars were conducted each month by Board staff. Each seminar consisted of two days of training and included information on statutes, rules, conduct of lawful gambling, internal controls, reporting and licensing requirements, and the responsibilities of organizations conducting lawful gambling. An optional one-half day of training 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.

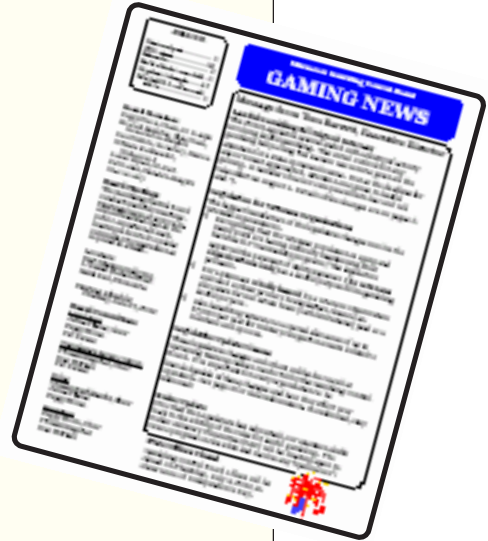
Gaming News

The Board publishes the monthly *Gaming News* newsletter on its web site at www.gcb.state.mn.us. Subscriptions to the newsletter are available through Minnesota's Bookstore.

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

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

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



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

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

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

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



“Everything you always wanted to know about lawful gambling...”

can be found on the Board’s web site at

www.gcb.state.mn.us

- √ **Board information**
- √ **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**
- √ **Local unit of government information**

- ➔ **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**

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