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**Minnesota Gambling Control Board**

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# **Annual Report**

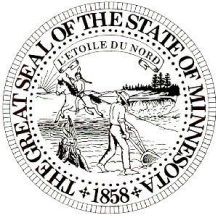
## **Minnesota Gambling Control Board**



**Fiscal Year  
2016**

**July 1, 2015 - June 30, 2016**





# Message from the Board Chair and Executive Director

November 15, 2016

**T**he Minnesota Gambling Control Board regulates the lawful (charitable) gambling industry to ensure the integrity of operations and provide for the lawful use of net profits. Charitable gambling may be conducted only by registered, nonprofit organizations. This report summarizes the charitable gambling activity for the fiscal year beginning July 1, 2015, through June 30, 2016.

Fiscal year 2016 was a record year for the charitable gambling industry, with over \$1.5 billion dollars in gross sales from all forms of charitable gambling (bingo, paddlewheels, pull-tabs, raffles, and tipboards). Minnesota remains the No. 1 state in the U.S. for charitable gambling activity.

Here are some of the highlights:

- FY 2016 marks the 6th year in a row for increased sales with a 13.2% increase over FY 2015.
- There are approximately 2,800 sales locations in Minnesota (primarily bars and veteran posts).
- Pull-tabs make up the bulk of total sales with 93% of the \$1.5 billion.
- All forms of charitable gambling show increased activity. From FY 2015 to FY 2016, non-electronic bingo increased 1.9%, electronic linked bingo increased 17.5%, paddlewheels 2.3%, paper pull-tabs 9.6%, electronic pull-tabs 174.2%, raffles 7.0%, and tipboards 17.7%.
- On June 30, 2016, there were 440 sites (16% of total sites) with electronic pull-tabs. For FY 2016, gross sales from electronic pull-tabs were over \$90 million. Electronic pull-tab sales increased 174% since FY 2015 (and 332% from FY 2014).
- Paper pull-tab manufacturers have also increased their sales and marketing efforts, rolling out an average of 500 new games each month.
- With increased sales comes increased prizes paid to players and funding for charitable programs.
- On average, the prize payout for charitable gambling in Minnesota is 83.5%. That leaves 16.5% from sales (net receipts) for expenses, taxes, and charitable contributions.
- A record \$1.3 billion in prizes were paid to players, and net receipts available to charities were \$252,301,000 for FY 2016.
- After prizes, taxes, and expenses were paid, approximately \$70 million in funds were available for charitable contributions in Minnesota. These funds benefit veterans programs and youth activities, such as youth hockey and soccer, as well as other civic groups and outdoor activities, such as snowmobile trails and environmental programs.

In terms of net proceeds from charitable gambling operations, fiscal year 2016 was a good year for the 1,170 licensed charities in Minnesota and the 2,835 sales locations that support the missions of the charities. The Minnesota Gambling Control Board and staff will continue to work hard to provide the necessary oversight and regulation of this billion-dollar industry.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "William Goede".

William Goede  
Chair

A handwritten signature in black ink, appearing to read "Tom Barrett".

Tom Barrett  
Executive Director

# Statement of Cash Receipts/Expenditures for the Minnesota Gambling Control Board

	<u>Fee</u>	<u>Total Collected</u>
Manufacturer license.....	\$10,000	\$90,000
Game approval/testing .....	\$30/\$125	\$286,975
Distributor license.....	\$7,000	\$70,000
Distributor salesperson license .....	\$150	\$15,150
Linked bingo game provider license .....	\$5,000	\$20,000
Organization license.....	\$350	\$406,700*
Gambling manager license .....	\$100	\$129,400
Premises permit .....	\$150	\$449,400
Regulatory fee .....	0.125% (.00125) of gross receipts	\$1,877,040
Exempt permit (up to five days of activity, total prizes valued at \$50,000 or less) .....	\$100/\$150	\$366,000
<b><u>Total Gambling Control Board dedicated fees</u></b>		<b><u>\$3,710,665</u></b>

Board FY 2016 expenditures: .....	\$3,012,200
Transferred to the Department of Public Safety .....	\$70,000

**Total expenditures from the Board's dedicated account** **\$3,082,200**

FTE: 31.2 (number of employees)

Civil penalties, fines (consent orders, citations) deposited in the state's general fund ..... \$28,800

\* Per Minnesota Statutes, Section 349.16, waivers of the organization license fee were granted to 13 organizations expecting to receive less than \$100,000 in gross annual receipts: \$4,550 in fees waived

## Industry Overview

On June 30, 2016, the Minnesota lawful gambling industry consisted of:

<u>Licenses</u>	<u>Activities</u>
10 manufacturers .....	Sold product to licensed distributors <b>(5,995 new games approved in FY16)</b>
10 distributors .....	Sold product to licensed lawful gambling organizations
95 distributor salespersons .....	Persons licensed to sell gambling equipment to nonprofit organizations
2 linked bingo game providers .....	Providing linked bingo games to licensed organizations
1,170 nonprofit organizations .....	Nonprofit organizations licensed to conduct gambling at permitted premises
<u>Type of Nonprofit Organization:</u>	
	<u>#</u> <u>%</u>
Fraternal - Eagles, Moose, Elks, Knights of Columbus .....	210 17.9%
Veterans - American Legion, VFW, and auxiliaries.....	319 27.3%
Religious - Church/Cathedral.....	24 2.1%
Other nonprofit - Business/chamber/development, .....	617 52.7%
	community, Jaycees, Lions, sportsman, rod & gun, hockey, fire relief, snowmobile, baseball, athletic, other
<b><u>Total nonprofit organizations .... 1,170 100.0%</u></b>	
1,170 gambling managers .....	Members of licensed nonprofit organizations responsible for supervising organizations' lawful gambling operations
2,835 charitable gambling sites .....	Locations in Minnesota where lawful gambling was conducted in FY16 by licensed organizations
3,456 exempt permits .....	2,363 nonprofit organizations applied for permits to conduct limited gambling of up to five days per calendar year and conducted 3,456 activities with tax-exempt gross receipts of <b>\$40,445,727</b> (see page 6 for additional information)
523 excluded permits .....	319 nonprofit organizations applied for permits to conduct 523 excluded bingo activities (excluded bingo is conducted for four or fewer events, or conducted up to 12 consecutive days in conjunction with a county fair, civic celebration, or the State Fair)

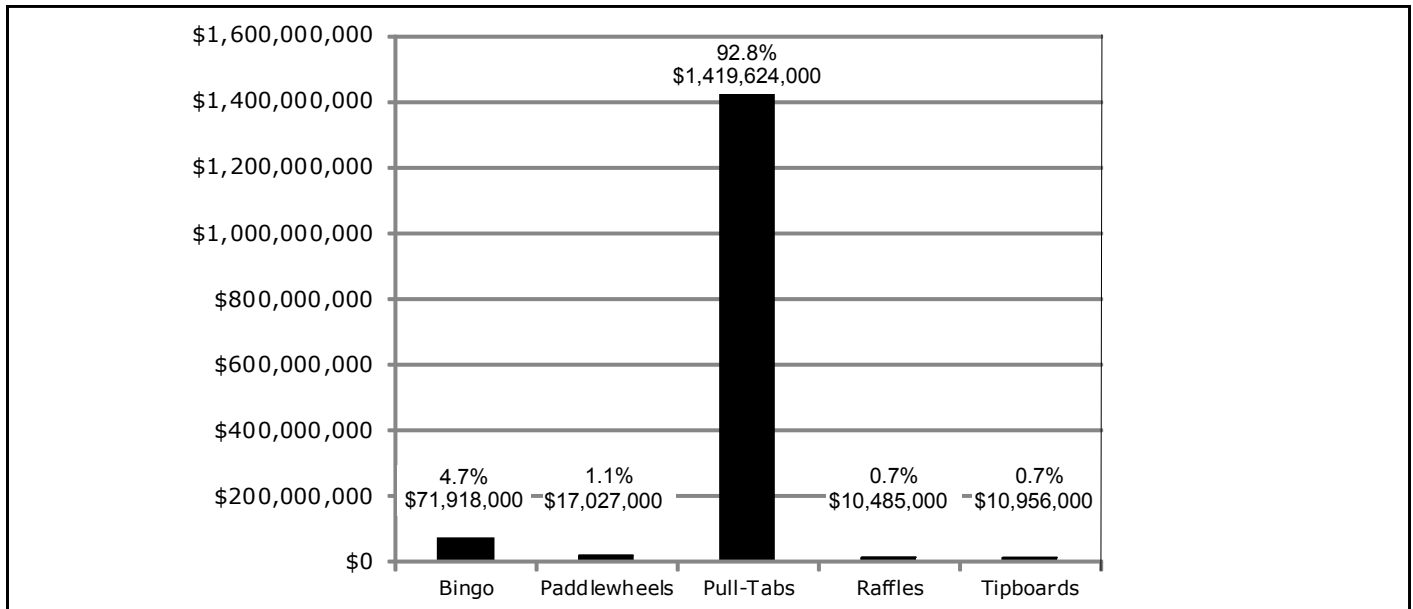
# Lawful Gambling Statistics

## 2016 Fiscal Year Sales Activity Summary\*

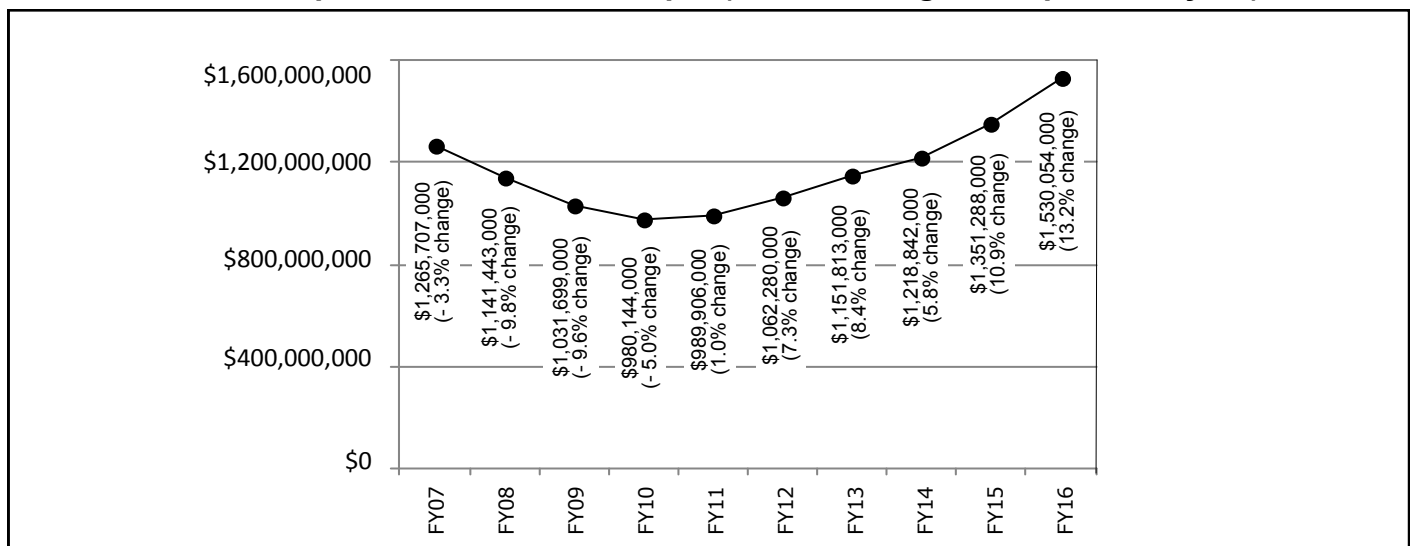
Activity	Gross Receipts (sales)			Prizes Paid		% Payout		Net Receipts (gross less prizes)		
	FY16	FY15	% Change	FY16	FY15	FY16	FY15	FY16	FY15	% Change
Bingo	\$71,918,000	\$70,014,000	2.7%	\$54,884,000	\$53,527,000	76.3%	76.5%	\$17,034,000	\$16,487,000	3.3%
Paddlewheels	\$17,027,000	\$16,655,000	2.2%	\$12,121,000	\$11,787,000	71.2%	70.8%	\$4,906,000	\$4,868,000	0.8%
Pull-Tabs	\$1,419,624,000	\$1,245,446,000	14.0%	\$1,197,704,000	\$1,045,302,000	84.4%	83.9%	\$221,920,000	\$200,144,000	10.9%
Raffles	\$10,485,000	\$9,783,000	7.2%	\$4,955,000	\$4,588,000	47.3%	46.9%	\$5,530,000	\$5,195,000	6.4%
Tipboards	\$10,956,000	\$9,315,000	17.6%	\$8,089,000	\$6,789,000	73.8%	72.9%	\$2,867,000	\$2,526,000	13.5%
Interest	\$44,000	\$75,000	-41.5%	n/a	n/a	n/a	n/a	\$44,000	\$75,000	-41.5%
<b>Totals</b>	<b>\$1,530,054,000</b>	<b>\$1,351,288,000</b>	<b>13.2%</b>	<b>\$1,277,753,000</b>	<b>\$1,121,993,000</b>	<b>83.5%</b>	<b>83.0%</b>	<b>\$252,301,000</b>	<b>\$229,295,000</b>	<b>10.0%</b>

\* Numbers are based on licensed organizations reporting to the Gambling Control Board, and do not include exempt permit activities.

## Comparison of Gross Receipts (Sales) by Activity - FY16



## Ten-Year Comparison of Gross Receipts (with % change from previous year)



# Lawful Purpose Expenditures (LPE)

Lawful Purpose Required Percentages. The majority of organizations are required to spend at least 30% of their net profits on lawful purposes, including taxes. Exception: Organizations that only conduct lawful gambling in a location where the primary business is bingo must spend 20% or more. Failure to meet the requirement subjects the organization to probation and possible sanctions by the Board.

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

## Total FY16 *Actual* Lawful Purpose Expenditures:

**\$123,561,922**

Recognition of military service and support of non-licensed veterans' clubs:

**FY 2016: \$1,629,471**



Youth activities:

**FY 2016: \$9,010,742**



Recognition of humanitarian service:

**FY 2016: \$68,080**

Relieving effects of poverty, homelessness, or disabilities:

**FY 2016: \$2,628,292**

Real estate taxes:

**FY 2016: \$2,785,431**

Specific utility costs by licensed veterans and fraternal organizations:

**FY 2016: \$4,625,754**

Membership events by licensed veterans organizations:

**FY 2016: \$205,918**

State, local, and federal gambling taxes; state lawful gambling license and regulatory fees:

**FY 2016: \$60,899,593**

Contributions to or expenditures by nonprofit organizations designated by the Internal Revenue Service as 501(c)(3) organizations or 501(c)(4) festival organizations:

**FY 2016: \$22,458,836**

Religious purposes:

**FY 2016: \$1,021,782**

Contributions to another licensed organization or parent organization with Board approval:

**FY 2016: \$310,940**

Community arts organizations or program sponsorships:

**FY 2016: \$76,878**

Compulsive gambling programs:

**FY 2016: \$6,245**

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

**FY 2016: \$279,140**



Scholarship funds and private or public nonprofit educational institutions:

**FY 2016: \$3,676,685**



Acquisition or improvement of qualifying capital assets or real property of organization-owned buildings:

**FY 2016: \$2,474,528**



Wildlife management projects, grooming and maintaining snowmobile and all-terrain vehicle trails approved by MN Department of Natural Resources, and monitoring surface water quality:

**FY 2016: \$607,679**



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

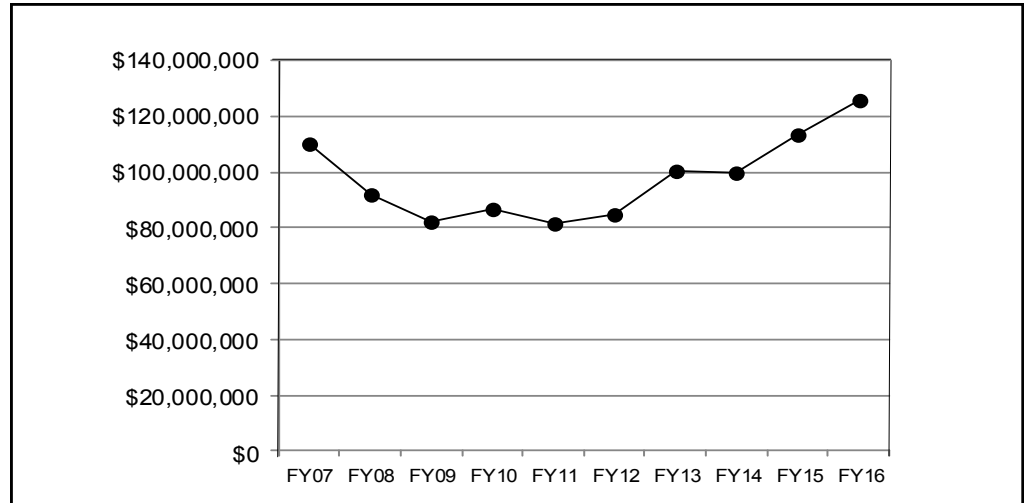
**FY 2016: \$10,795,928**  
(not including taxes)

# Lawful Purpose Expenditures (LPE)

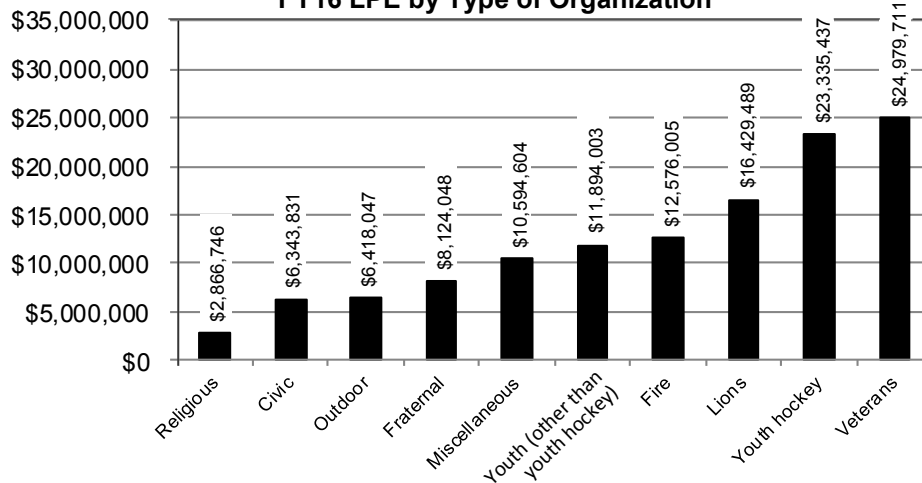
## Available for Lawful Purposes

2016	\$125,985,000
2015	\$113,688,000
2014	\$ 99,751,000
2013	\$100,278,000
2012	\$ 84,923,000
2011	\$ 81,336,000
2010	\$ 87,025,000
2009	\$ 82,247,000
2008	\$ 92,311,000
2007	\$110,144,000

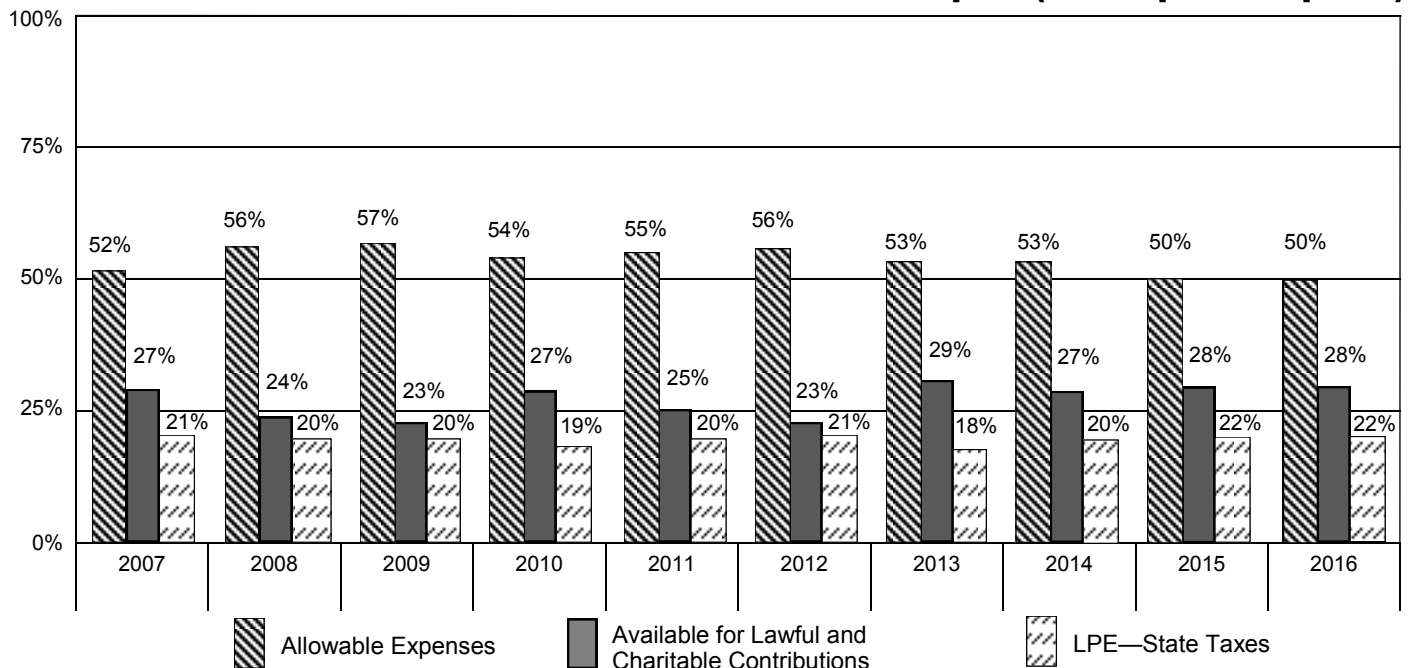
LPE includes state gambling taxes.  
See page 6.



## FY16 LPE by Type of Organization



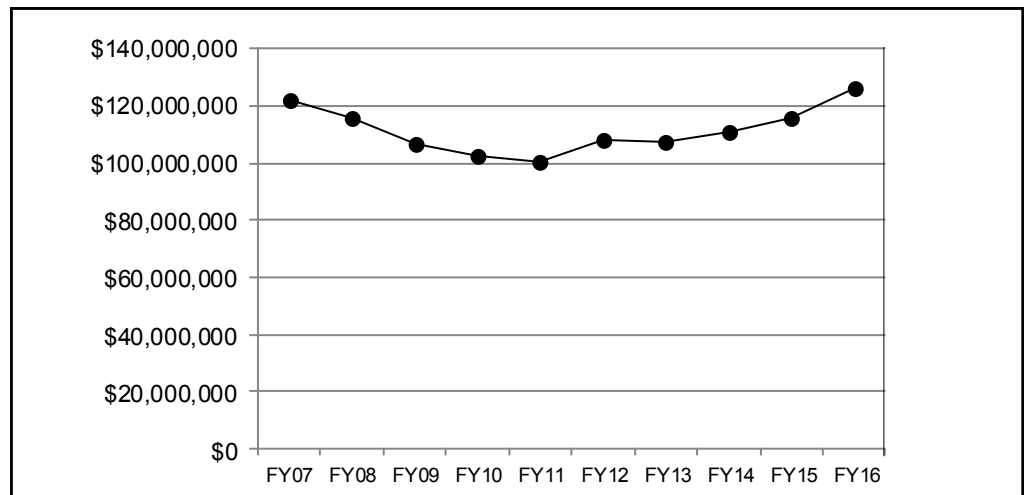
## Distribution of Net Receipts (after prizes paid)



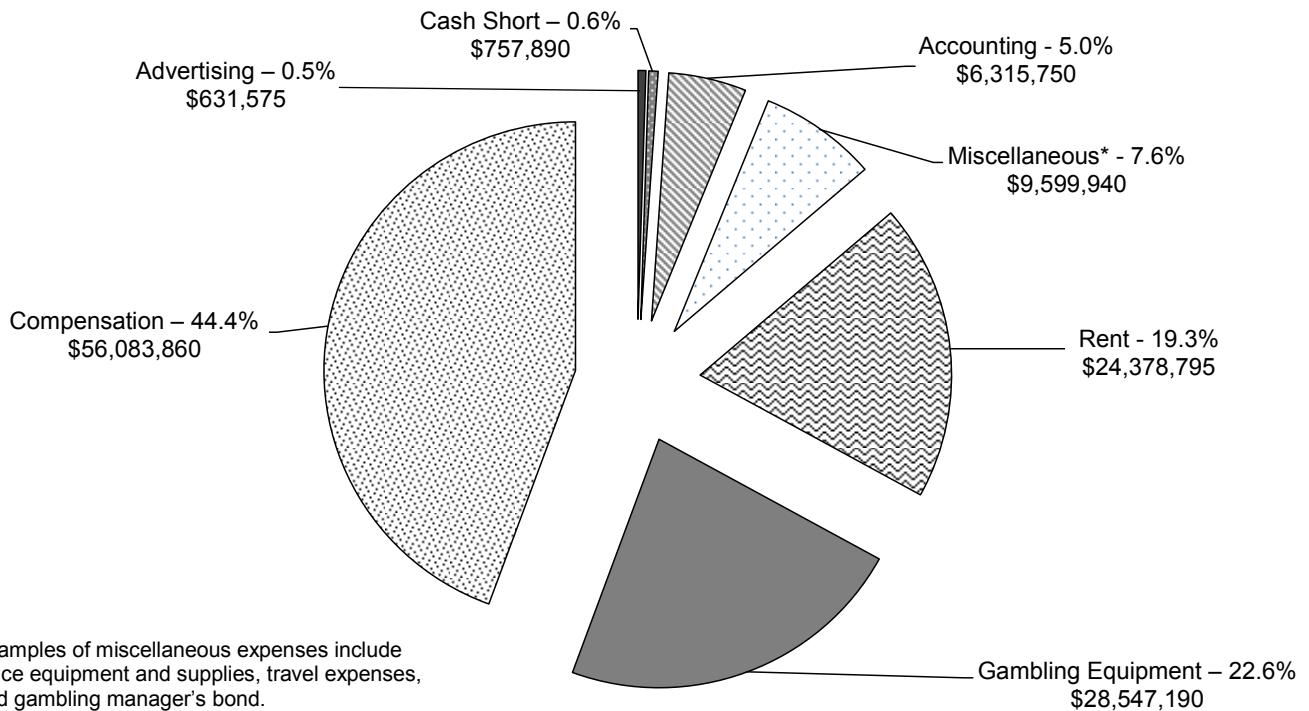
# Allowable Expenses

## Allowable Expenses Ten-Year Comparison

2016	\$126,315,000
2015	\$115,607,000
2014	\$110,695,000
2013	\$107,266,000
2012	\$107,957,000
2011	\$100,398,000
2010	\$102,167,000
2009	\$106,945,000
2008	\$115,541,000
2007	\$121,700,000

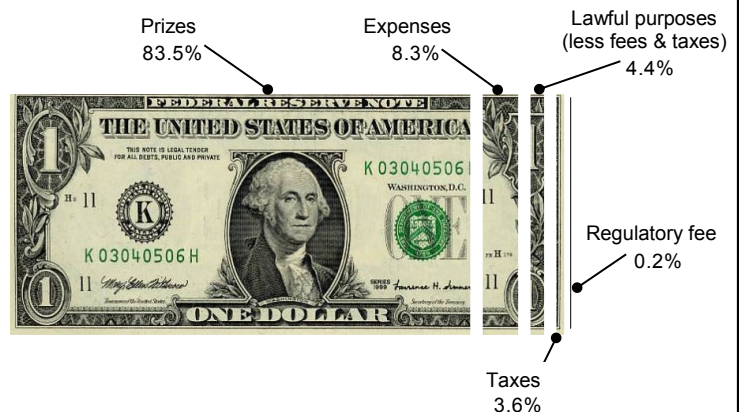


Allowable expenses are operating costs incurred by licensed organizations in their conduct of lawful gambling. Examples include product costs, rent to bar owners, salaries, accounting fees, insurance, and supplies.



## Lawful Gambling Dollars — Where the Money Goes

For every dollar spent on lawful gambling in Minnesota in FY 2016, 83.5¢ was returned as prizes to players, leaving 16.5¢ for charitable contributions, expenses, and taxes. Many charitable causes benefit from lawful gambling proceeds, including veterans, youth activities, wildlife management projects, scholarships, recognition of humanitarian service, food shelves, relieving effects of poverty, and many others—thanks to the diligent efforts of organizations conducting lawful gambling.





## Lawful Gambling Taxes

The two state gambling taxes included as lawful purpose expenditures in FY16 are:

Net receipts tax, an 8.5% tax on the net receipts on bingo, raffles, and paddlewheels.

Combined net receipts taxes, which are progressive taxes calculated on the net receipts from electronic and paper pull-tabs, tipboards, electronic linked bingo, and interest.

There is no sales tax on actual game sales to players.

	<u>FY 2016</u>	<u>FY 2015</u>
Net receipts tax:	\$ 2,283,000	\$ 2,214,000
Combined net receipts tax:	<u>\$53,547,000</u>	<u>\$47,202,000</u>
<b>Total State Gambling Tax:</b>	<b>\$55,830,000</b>	<b>\$49,416,000</b>
 <b>State Sales Tax Paid on Gambling Equipment:</b>	 <b>\$ 2,235,000</b>	 <b>\$ 2,083,000</b>

<b>State Gambling Taxes</b>					
<u>FY</u>	<u>Tax Paid</u>	<u>Refund*</u>	<u>Net taxes (after refund)</u>	<u>Net taxes as % of Gross receipts</u>	<u>Net receipts</u>
2016	\$55,830,000	\$0	\$55,830,000	3.6%	22.1%
2015	\$49,416,000	\$0	\$49,416,000	3.7%	21.6%
2014	\$43,330,000	\$0	\$43,330,000	3.6%	20.6%
2013	\$40,017,000	\$3,853,000	\$36,164,000	3.1%	17.8%
2012	\$48,808,000	\$7,375,000	\$41,433,000	3.9%	21.5%
2011	\$43,943,000	\$6,885,000	\$37,058,000	3.7%	20.4%
2010	\$42,628,000	\$6,820,000	\$35,808,000	3.7%	19.9%
2009	\$44,761,000	\$6,917,000	\$37,844,000	3.7%	20.0%
2008	\$50,019,000	\$7,328,000	\$42,691,000	3.7%	20.5%
2007	\$56,461,000	\$7,477,000	\$48,984,000	3.9%	21.1%

\* Effective 7/1/12 taxes based on net receipts (after prizes paid) and no longer on ideal gross. This change eliminated the need for refund based on unsold tickets.

## Tax-Exempt Permits

Minnesota Statutes, Section 349.166, subdivision 2, allows tax-exempt lawful gambling (with the exception of linked bingo games). To qualify, a nonprofit organization may only conduct lawful gambling on five or fewer days in a calendar year and not award more than \$50,000 in prizes for lawful gambling in a calendar year.

In fiscal year 2016, 2,363 nonprofit organizations applied for permits to conduct limited gambling of up to five days per calendar year and conducted 3,456 activities with tax-exempt gross receipts of \$40,445,727.

<u>Tax-Exempt activity</u>	<u>Gross receipts</u>	<u>Expenses</u>	<u>Profit</u>
Raffles	\$38,573,712	\$14,999,595	\$23,574,117
Bingo	\$ 1,042,879	\$ 405,514	\$ 637,365
Pull-Tabs	\$ 645,822	\$ 340,997	\$ 304,825
Paddlewheel	\$ 138,903	\$ 62,659	\$ 76,244
Tipboards	\$ 44,411	\$ 25,594	\$ 18,817
<b>Tax-Exempt Totals</b>	<b>\$40,445,727</b>	<b>\$15,834,359</b>	<b>\$24,611,368</b>

# FY 2016 Top Ten

## FY 2016 Top Ten Grossing Organizations, All Lawful Gambling Activity

<u>Organization</u>	<u>Gross</u>	<u>Prizes</u>	<u>Net</u>
Merrick, Inc., Vadnais Hts.	\$17,758,645	\$15,122,265	\$2,636,380
Northwest Area Jaycees, Maple Grove	\$14,652,870	\$12,791,066	\$1,861,804
Blaine Youth Hockey Association	\$14,529,447	\$12,166,303	\$2,363,144
Irving Community Association, Duluth	\$13,782,439	\$11,603,611	\$2,178,827
Centennial Youth Hockey Association, Circle Pines	\$13,091,874	\$11,272,911	\$1,818,964
White Bear Lake Area Hockey Association	\$12,806,347	\$10,880,855	\$1,925,492
Climb, Inc., Inver Grove Hts.	\$12,319,537	\$10,214,794	\$2,104,742
Amvets Post 1, Mendota	\$12,310,623	\$10,609,132	\$1,701,491
Eagan Hockey Association	\$12,115,648	\$10,623,208	\$1,492,440
Ramsey Lions Club	\$11,796,805	\$10,240,272	\$1,556,533

## FY 2016 Top Ten Grossing Sites (Non-Bingo Hall), All Lawful Gambling Activity

<u>Site</u>	<u>Charity</u>	<u>Gross</u>	<u>Prizes</u>	<u>Net</u>
Bunny's Bar & Grill, St. Louis Park	St. Louis Park Hockey Association	\$7,805,030	\$6,792,779	\$1,012,251
American Legion Post 1776, Apple Valley	Am. Legion Post 1776, Apple Valley	\$7,288,547	\$6,283,051	\$1,005,496
American Legion Post 580, Chanhassen	Am. Legion Post 580, Chanhassen	\$7,007,664	\$6,022,307	\$985,357
American Legion Post 270, Buffalo	Am. Legion Post 270, Buffalo	\$6,307,940	\$5,597,547	\$710,393
Shortstop, Fridley	Fridley Lions Club	\$5,781,100	\$4,831,764	\$949,336
American Legion Post 172, Osseo	Am. Legion Post 172, Osseo	\$5,478,348	\$4,699,867	\$778,481
Ole Piper Inn, Blaine	Blaine Youth Hockey Association	\$5,424,881	\$4,507,800	\$917,081
Sports Page, Bloomington	Am. Legion Post 550, Bloomington	\$5,323,650	\$4,743,004	\$580,646
JC's Bar & Grill, Maple Grove	NW Area Jaycees, Maple Grove	\$5,283,567	\$4,616,234	\$667,334
Neisen's Event Center/Sports Bar & Grill, Savage	German Days, Inc., Belle Plaine	\$5,154,033	\$4,416,607	\$737,425

## FY 2016 Top Ten Organizations, Amount Spent on Charitable Contributions for Each Dollar Spent on Allowable Expenses

<u>Organization*</u>	<u>Net Receipts</u>	<u>Allowable Expenses (AE)</u>	<u>Charitable Contributions</u>	<u>Amount Spent on Charitable Contributions for Each Dollar Spent on AE</u>
Camp Winnebago, Caledonia	\$16,263	\$963	\$15,000	\$15.58
Knights of Columbus Council 1575, Fairmont	\$68,944	\$6,427	\$47,203	\$7.34
Caledonia Volunteer Fire Relief Association	\$44,036	\$6,078	\$42,554	\$7.00
American Legion Post 464, Brewster	\$33,823	\$4,332	\$26,309	\$6.07
Duelm Area Lions Club, Clear Lake	\$78,016	\$10,370	\$62,483	\$6.03
SS. Peter & Paul Church, Richmond	\$21,028	\$3,116	\$15,000	\$4.81
American Legion Post 118, Wayzata	\$79,195	\$13,443	\$33,430	\$2.49
Holy Trinity Church, Winsted	\$131,564	\$36,590	\$84,900	\$2.32
Basilica of St. Stanislaus Kostka, Winona	\$72,124	\$20,675	\$44,800	\$2.17
Club Almar Sports, Inc., St. Cloud	\$84,564	\$23,606	\$48,825	\$2.07

\* Organizations with gross receipts of \$50,000 or more.

# LG500 CY15 Regulatory Tax, City or County Annual Report

Under Minnesota Statutes, Section 349.213, subdivision 3, a city or county may impose a local gambling tax on each licensed organization within the city's or county's jurisdiction, only if they do not charge an investigation fee or other local taxes on lawful gambling. A township may not impose a local gambling tax.

The tax, up to 3% of gross receipts less prizes paid per year, may be imposed only if the amount is necessary to cover the costs to regulate lawful gambling in the city's or county's jurisdiction. Cities and counties are required to share all documents pertaining to site inspections, fines, penalties, or other corrective action involving local lawful gambling regulation with the board. A city or county may not use money collected for any purpose other than to regulate lawful gambling.

Cities or counties imposing a tax under Section 349.213 must report to the Gambling Control Board annually by March 15 showing (1) the amount of revenue produced by the tax during the preceding calendar year, and (2) the use of the proceeds of the tax. If a city or county spends more than its previous CY balance plus amount collected in a calendar year, the negative balance does not carry forward.

The cities reporting in calendar year 2015 and the amounts collected, spent, refunded, and balances are:

City	%	CY14 Balance	Interest	Collected	Spent	Refunded	CY15 Balance
Andover	1.0	\$0.00	\$0.00	\$1,340.66	\$1,340.66	\$0.00	\$0.00
Austin	0.5	\$933.74	\$0.00	\$3,135.38	\$3,639.93	\$0.00	\$429.19
Bloomington	0.2	\$34,770.41	\$0.00	\$8,331.58	\$1,236.90	\$0.00	\$41,865.09
Bock	3.0	\$0.00	\$0.00	\$1,086.78	\$0.00	\$0.00	\$1,086.78
Columbus	2.0	\$2,105.53	\$0.00	\$3,802.10	\$860.00	\$0.00	\$5,047.63
Duluth	3.0	\$0.00	\$0.00	\$59,453.51	\$172,489.00	\$0.00	\$0.00
East Bethel	3.0	\$0.00	\$0.00	\$25,198.81	\$25,198.81	\$0.00	\$0.00
Eden Prairie	3.0	\$21,814.17	\$0.00	\$0.00	\$0.00	\$0.00	\$21,814.17
Fridley	3.0	\$0.00	\$0.00	\$63,565.06	\$125,636.52	\$0.00	\$0.00
Jackson	1.0	\$0.00	\$0.00	\$485.23	\$485.23	\$0.00	\$0.00
Lilydale	3.0	\$2,475.21	\$0.00	\$2,683.99	\$2,100.00	\$0.00	\$3,059.20
Lino Lakes	0.1	\$0.00	\$0.00	\$1,012.42	\$1,012.42	\$0.00	\$0.00
Mankato	3.0	\$96,419.28	\$482.10	\$70,730.32	\$20,686.73	\$0.00	\$146,944.97
Maple Grove	0.5	\$16,104.23	\$0.00	\$12,537.00	\$6,573.72	\$0.00	\$22,067.51
Mendota	2.0	\$11,940.48	\$0.00	\$7,229.85	\$5,927.03	\$0.00	\$13,243.30
Minneapolis	3.0	\$170,599.39	\$0.00	\$186,863.02	\$84,573.36	\$0.00	\$272,889.05
North Mankato	3.0	\$0.00	\$0.00	\$23,680.83	\$23,680.83	\$0.00	\$0.00
Owatonna	3.0	\$398.64	\$0.00	\$4,500.00	\$4,439.06	\$0.00	\$459.58
Plymouth	3.0	\$13,399.63	\$193.55	\$0.00	\$0.00	\$0.00	\$13,593.18
Roseville	3.0	\$89,183.17	\$0.00	\$83,879.08	\$56,155.60	\$0.00	\$116,906.65
Shoreview	3.0	\$0.00	\$0.00	\$2,430.03	\$9,165.47	\$0.00	\$0.00
Spring Lake Park	3.0	\$0.00	\$0.00	\$39,287.93	\$32,206.01	\$7,081.92	\$0.00
St. Louis Park	3.0	\$2,669.59	\$0.00	\$12,613.51	\$10,693.75	\$0.00	\$4,589.35
St. Paul	2.5	\$171,885.07	\$0.00	\$156,502.90	\$121,360.45	\$0.00	\$207,027.52
Waterville	3.0	\$0.00	\$0.00	\$6,667.61	\$6,667.61	\$0.00	\$0.00
White Bear Lake	2.0	\$384.00	\$0.00	\$45,629.00	\$45,997.00	\$0.00	\$16.00
Worthington	3.0	\$0.00	\$0.00	\$5,554.68	\$5,554.68	\$0.00	\$0.00
<b>TOTALS</b>		<b>\$634,679.61</b>	<b>\$675.65</b>	<b>\$828,201.28</b>	<b>\$767,680.77</b>	<b>\$7,081.92</b>	<b>\$688,793.85*</b>

\* The CY15 balance does not equal the CY14 balance plus amount collected minus amount spent. When a city or county spends more than its previous CY balance plus amount collected in a calendar year, the negative balance is not carried forward to the next calendar year.

Separate from the 3% regulatory tax and the 10% contribution, Minnesota Statutes, Section 349.12, subdivision 25, paragraph (a), clause (10), allows a licensed organization to make a voluntary contribution to units of government (under lawful purpose code A10) for government programs and projects of the United States, the state of Minnesota, or local units of government.

**In fiscal year 2016, a total of \$10,795,928 was voluntarily contributed to units of government for contributions allowed under code A10.** Cities or counties are not required to report the receipt of the voluntary contributions to the Board. For charitable contributions required by local units of government, see page 9.

# LG510 CY15 10% Contribution Fund, When Mandated by Ordinance

A city or county may require an organization to contribute up to 10% per year of net profits to a fund that the city or county administers.

- The city or county may only spend the funds for charitable contributions (Minn. Stat. 349.12, subd. 7a), or for police, fire, and other emergency or public safety-related services, equipment, and training.
- The fund may not be used for the payment of pension obligations or general government functions.
- A licensed organization that contributes to the 10% fund may not be a beneficiary of the fund.
- If a city or county spends more than its previous CY balance plus amount collect in a calendar year, the negative balance is not carried forward.
- A city or county with a 10% fund is required to file a report with the Gambling Control Board by March 15 each year.
  - ✓ In calendar year 2015, 120 cities reported fund contributions up to 10% as mandated by their city's ordinance.
  - ✓ A total of \$1,361,272 was contributed to cities under the "required" contribution allowance in statute.
  - ✓ A balance of \$2,073,297 was reported for future distribution.

City	%	CY14 Balance	Interest	Collected	Spent	CY15 Balance
Alexandria	10%	\$0.00	\$0.00	\$58,053.33	\$85,408.85	\$0.00
Andover	10%	\$56,869.45	\$796.25	\$40,455.87	\$18,792.00	\$79,329.57
Annandale	10%	\$5,871.69	\$62.74	\$2,038.70	\$0.00	\$7,973.13
Arden Hills	10%	\$0.00	\$0.00	\$24,213.24	\$24,213.24	\$0.00
Aurora	10%	\$1,185.12	\$0.00	\$6,927.17	\$5,450.00	\$2,662.29
Barnum	10%	\$1,014.75	\$0.00	\$1,265.21	\$2,162.63	\$117.33
Battle Lake	10%	\$0.00	\$0.00	\$769.91	\$769.91	\$0.00
Bayport	0%	\$88,630.48	\$0.00	\$10,258.89	\$0.00	\$98,889.37
Belle Plaine	10%	\$3,245.54	\$0.00	\$12,938.06	\$7,088.68	\$9,094.92
Bigelow	0%	\$6,118.90		Report not received		\$6,118.90
Bigfork	10%	\$3,361.82	\$0.00	\$5,602.80	\$230.00	\$8,734.62
Blaine	10%	\$126,694.12	\$1,286.21	\$129,675.61	\$127,250.00	\$130,405.94
Bovey	10%	\$44.03	\$0.00	\$396.05	\$200.00	\$240.08
Bricelyn	10%	\$1,176.03	\$0.00	\$279.78	\$0.00	\$1,455.81
Brownsville	10%	\$0.00	\$0.00	\$2,638.08	\$3,632.38	\$0.00
Byron	10%	\$0.00	\$0.00	\$5,724.40	\$5,724.40	\$0.00
Carlton	10%	\$11,806.63	\$37.72	\$17,504.76	\$8,575.00	\$20,774.11
Chanhassen	10%	\$47,396.40	\$432.33	\$39,619.88	\$49,080.51	\$38,368.10
Chisago City	10%	\$10,070.10	\$213.03	\$9,841.26	\$7,528.23	\$12,596.16
Cloquet	1%	\$0.00	\$0.00	\$12,952.28	\$12,952.28	\$0.00
Cold Spring	10%	\$89,207.99	\$2,854.74	\$9,079.63	\$25,850.28	\$75,292.08
Columbus	10%	\$8,322.56	\$33.19	\$10,145.06	\$6,000.00	\$12,500.81
Coon Rapids	5%	\$17,097.48	\$601.64	\$38,843.22	\$34,958.90	\$21,583.44
Cottage Grove	0%	\$14,299.98	\$104.69	\$0.00	\$5,000.00	\$9,404.67
Cromwell	10%	\$535.98	\$0.00	\$866.36	\$700.00	\$702.34
Crystal	10%	\$444.65	\$0.00	\$34,230.80	\$34,675.45	\$0.00
Darwin	10%	\$0.00	\$0.00	\$1,702.93	\$1,702.93	\$0.00
Delavan	10%	\$10,571.29	\$0.00	\$2,999.40	\$1,550.00	\$12,020.69
Dennison	10%	\$0.00	\$0.00	\$214.87	\$548.50	\$0.00
Duluth	5%	\$23,661.00	\$228.00	\$7,873.00	\$0.00	\$31,762.00
Dundas	10%	\$0.00	\$0.00	\$5,063.95	\$5,063.95	\$0.00
Eden Prairie	0%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Effie	10%	\$641.46	\$0.00	\$2,279.59	\$2,921.05	\$0.00
Elgin	10%	\$0.00	\$0.00	\$5,585.08	\$0.00	\$5,585.08
Elko/New Market	5%	\$5,296.51		Report not received		\$5,296.51
Evansville	10%	\$0.00	\$0.00	\$5,174.27	\$5,174.27	\$0.00
Eveleth	10%	\$24,831.81	\$0.00	\$8,725.64	\$2,700.00	\$30,857.45
Eyota	10%	\$30,115.05	\$16.52	\$5,702.73	\$13,816.00	\$22,018.30
Faribault	5%	\$64,991.52	\$843.22	\$22,306.02	\$24,324.00	\$63,816.76
Floodwood	10%	\$144.71		Report not received		\$144.71
Garfield	10%	\$0.00	\$0.00	\$2,317.89	\$2,317.89	\$0.00
Gem Lake	10%	\$3,109.30	\$0.00	\$3,890.06	\$3,000.00	\$3,999.36
Ghent	10%	\$0.00	\$0.00	\$2,686.70	\$2,686.70	\$0.00
Glencoe	10%	\$838.97	\$0.56	\$0.00	\$839.53	\$0.00
Golden Valley	10%	\$5,057.41	\$959.82	\$36,081.83	\$42,819.06	\$0.00
Gully	10%	\$11,256.96	\$12.70	\$3,801.06	\$0.00	\$15,070.72
Ham Lake	10%	\$37,067.28	\$165.42	\$15,017.67	\$30,000.00	\$22,250.37
Hampton	10%	\$0.00	\$0.00	\$1,297.83	\$1,297.83	\$0.00
Hanska	10%	\$4,329.86	\$0.00	\$1,832.68	\$0.00	\$6,162.54
Hawley	10%	\$6,477.63	\$3.27	\$0.00	\$0.00	\$6,480.90
Hewitt	10%	\$183.29	\$0.38	\$1,604.74	\$1,050.00	\$738.41
Hibbing	10%	\$0.00		Report not received		\$0.00
Hokah	10%	\$0.00	\$0.00	\$3,077.60	\$0.00	\$3,077.60
Hollandale	10%	\$0.00	\$0.00	\$897.17	\$897.17	\$0.00
Independence	10%	\$0.00		Report not received		\$0.00

City	%	CY14 Balance	Interest	Collected	Spent	CY15 Balance
Kasota	10%	\$2,913.00	\$0.00	\$2,603.00	\$0.00	\$5,516.00
Kerkhoven	10%	\$878.07	\$3.16	\$0.00	\$0.00	\$881.23
Kettle River	10%	\$479.11	\$0.00	\$627.01	\$1,058.12	\$48.00
Kilkenny	10%	\$5,659.05	\$0.00	\$3,899.08	\$5,659.05	\$3,899.08
Lakeland	10%	\$1,296.56	\$0.00	\$5,738.82	\$0.00	\$7,035.38
Lakeland Shores	10%	\$5.38	\$0.00	\$0.00	\$0.00	\$5.38
LaPrairie	10%	\$0.00	\$0.00	\$65.00	\$1,760.00	\$0.00
Lexington	10%	\$49,361.36	\$0.00	\$14,169.89	\$0.00	\$63,531.25
Lilydale	10%	\$0.00	\$0.00	\$8,764.74	\$8,764.74	\$0.00
Little Canada	10%	\$89,751.55	\$2,246.14	\$37,455.00	\$22,927.50	\$106,525.19
Long Beach	10%	\$0.00	\$0.00	\$6,529.01	\$0.00	\$6,529.01
Long Lake	10%	\$3,028.52	\$25.00	\$2,429.96	\$1,685.92	\$3,797.56
Madison Lake	10%	\$1,159.93		Report not received		\$1,159.93
Mahtomedi	10%	\$14,449.44	\$375.04	\$13,193.50	\$0.00	\$28,017.98
Maple Grove	10%	\$233,004.16	\$4,981.95	\$79,168.00	\$0.00	\$317,154.11
Mapleview	10%	\$10,207.71	\$3.47	\$3,766.59	\$0.00	\$13,977.77
Maplewood	10%	\$23,426.64	\$0.00	\$25,799.00	\$28,609.58	\$20,616.06
Mayer	10%	\$0.00	\$0.00	\$5,020.00	\$6,780.00	\$0.00
Mendota	10%	\$0.00	\$0.00	\$4,971.64	\$4,971.64	\$0.00
Milaca	10%	\$17,159.00	\$271.00	\$19,003.00	\$13,123.00	\$23,310.00
Millerville	10%	\$19,381.44	\$0.00	\$3,459.00	\$1,804.98	\$21,035.46
Minneapolis	10%	\$86,732.82	\$0.00	\$29,613.20	\$86,484.60	\$29,861.42
Mountain Iron	10%	\$7,480.50	\$7.46	\$6,169.50	\$5,450.00	\$8,207.46
Myrtle	10%	\$6,998.00	\$0.00	\$4,580.10	\$4,128.66	\$7,449.44
New Hope	10%	\$0.00	\$0.00	\$4,866.82	\$4,866.82	\$0.00
Newport	10%	\$0.00	\$0.00	\$6,517.07	\$6,517.07	\$0.00
North Mankato	10%	\$0.00	\$0.00	\$17,666.98	\$15,000.00	\$2,666.98
Oak Grove	10%	\$12,208.08	\$120.61	\$3,847.73	\$0.00	\$16,176.42
Oakdale	10%	\$45,547.00	\$615.00	\$31,016.00	\$32,500.00	\$44,678.00
Otsego	10%	\$0.00	\$0.00	\$2,074.34	\$2,074.34	\$0.00
Plymouth	10%	\$0.00	\$158.35	\$36,587.40	\$36,745.75	\$0.00
Proctor	10%	\$12,299.59	\$0.00	\$0.00	\$0.00	\$12,299.59
Ramsey	5%	\$149,440.35	\$1,654.12	\$50,015.16	\$105,606.00	\$95,503.63
Randolph	10%	\$0.00	\$0.00	\$2,002.11	\$2,002.11	\$0.00
Rockford	10%	\$0.00	\$0.00	\$18,000.00	\$16,410.00	\$1,590.00
Rose Creek	10%	\$5,830.68	\$5.07	\$1,237.00	\$0.00	\$7,072.75
Roseville	10%	\$7,499.34	\$0.00	\$88,320.12	\$80,000.00	\$15,819.46
Scanlon	10%	\$6,562.41	\$15.47	\$3,350.34	\$0.00	\$9,928.22
Sedan	10%	\$1,678.76		Report not received		\$1,678.76
Shafer	5%	\$7,930.39	\$25.87	\$24,265.06	\$0.00	\$32,221.32
Sherburn	10%	\$2,717.35	\$0.00	\$3,089.11	\$1,750.00	\$4,056.46
Shoreview	10%	\$0.00	\$0.00	\$974.91	\$974.91	\$0.00
Spicer	1%	\$23,737.00	\$63.00	\$2,769.00	\$0.00	\$26,569.00
Spring Valley	10%	\$5,170.50	\$15.49	\$8,423.86	\$0.00	\$13,609.85
St. Francis	10%	\$27,906.10	\$260.69	\$14,716.96	\$9,438.97	\$33,444.78
St. Louis Park	10%	\$0.00	\$0.00	\$1,408.95	\$0.00	\$1,408.95
St. Martin	10%	\$727.43	\$0.00	\$2,334.20	\$3,013.49	\$48.14
St. Michael	10%	\$0.00	\$0.00	\$9,931.90	\$9,931.90	\$0.00
St. Paul	10%	\$3,118.14	\$229.81	\$13,843.60	\$0.00	\$17,191.55
Stockton	10%	\$6.00	\$0.00	\$2,250.00	\$6,750.00	\$0.00
Taylor's Falls	10%	\$1,056.43	\$1.00	\$108.81	\$948.12	\$218.12
Tower	10%	\$0.00	\$0.00	\$3,019.49	\$3,019.49	\$0.00
Utica	10%	\$0.00	\$0.00	\$1,525.00	\$18,142.00	\$0.00
Vadnais Heights	10%	\$60,886.70	\$0.00	\$18,432.41	\$13,147.50	\$66,171.61
Vergas	10%	\$5,186.12	\$0.00	\$7,416.80	\$7,750.00	\$4,852.92
Victoria	10%	\$108,810.00	\$900.00	\$13,904.00	\$0.00	\$123,614.00
Wahkon	10%	\$4,907.96	\$0.00	\$5,568.42	\$9,596.11	\$880.27
Waite Park	10%	\$36,088.31	\$42.88	\$42,166.16	\$29,964.08	\$48,333.27
Waterville	10%	\$0.00	\$0.00	\$2,512.96	\$2,512.96	\$0.00
Waverly	10%	\$0.00	\$0.00	\$3,461.40	\$3,461.40	\$0.00
Wilton	10%	\$129.25		Report not received		\$129.25
Winnebago	10%	\$2,989.30	\$0.00	\$2,875.64	\$4,143.07	\$1,721.87
Winona	10%	\$0.00	\$0.00	\$2,250.00	\$2,250.00	\$0.00
Winsted	5%	\$0.00	\$0.00	\$5,000.00	\$5,000.00	\$0.00
Wyoming	10%	\$52,200.87	\$0.00	\$12,044.46	\$6,916.40	\$57,328.93
<b>TOTALS</b>		<b>\$1,878,464.06</b>	<b>\$20,673.01</b>	<b>\$1,361,272.27</b>	<b>\$1,242,591.90</b>	<b>\$2,073,296.88</b>

# Education Programs

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*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 these opportunities.*

## **Continuing Education Classes**

Gambling managers are required to attend one class each calendar year. In addition to gambling managers, organizations' chief executive officers, members, and employees are welcome to attend. Continuing education classes are conducted at various locations throughout the state free of charge and are open to the public.

There were 49 continuing education classes provided during fiscal year 2016, 12 of which were classes at industry conventions, such as Lions, VFWs, and CPAs. Topics included internal controls, lawful expenditures, illegal gambling, reporting requirements, electronic filing, new rules, conduct of lawful gambling (all forms), electronic games, bar bingo, and others.

## **Other Education Programs**

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

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

## **Gaming News**

The Board's quarterly newsletter, *Gaming News*, provides information on compliance, licensing, and education issues.

Starting in January 2016, the newsletter is now emailed to all licensed gambling managers. *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.

*Gaming News* can be found on the Board's website under Publications. Paid subscriptions are available through Minnesota's Bookstore, 651-297-3000 or 800-657-3757.

## **Lawful Gambling Manual**

The *Lawful Gambling Manual* is a reference guide for CEOs, gambling managers, and organizations—whether new or experienced. The Manual provides information on statutory and rule requirements in an easy-to-understand format, and is updated each year. The Manual is divided into chapters that are easily referenced for:

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

The Manual may be purchased from Minnesota's Bookstore and is found on the Board's website under Publications.

# Gambling Control Board Members

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

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

<u>Member</u>	<u>Appointed by</u>	<u>Term</u>
William Goede, Chair, Plainview	Governor	6/12 to 6/16*
Norman Pint, Vice Chair, New Prague	Public Safety	7/11 to 6/19
William Gillespie, Secretary, St. Paul	Attorney General	9/11 to 6/19
Geno Fragnito, Woodbury	Governor	7/14 to 6/18
James Nardone, Grand Rapids	Governor	6/12 to 6/16*
Kenneth Koch, Eagan	Governor	7/13 to 6/17
Beth Pinkney, Woodbury	Governor	7/14 to 6/18

\* Reappointed effective 8/16

## Statutes and Rules

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### Legislative Changes:

Some of the changes the 2016 Legislature made to lawful gambling laws include:

- Electronic raffle selection systems were allowed.
- The active membership requirement for gambling managers was changed from six months to 90 days.
- Hot-ball bingo prizes may now be funded by an organization or by players.
- Share-the-pot raffles were defined as raffles where the prize must be a percentage of the gross receipts.
- Bingo occasion prize limits were changed.
- Local units of government must acknowledge organizations contributing to a 10% contribution fund.

A more in-depth summary of 2016 legislative changes can be found at [mn.gov/gcb](http://mn.gov/gcb) under the Reports & Legislation tab.



### Rule Changes:

In response to the 2015 Minnesota Legislature approving raffle boards and bingo boards (*Minn. Laws 2015*, chapters 45 and 52), the Board adopted rules to address conduct and standards for those items, and also for multiple chance pull-tab games. The rules were effective in August 2016.

The rules also addressed other statutory changes as well as updated requirements found either to be lacking, found to save a lawful gambling organizations time and money, or found to be obsolete.

Information on the Board's rules docket, any current rules processes, and obsolete rules can be found at [mn.gov/gcb](http://mn.gov/gcb) under Statutes & Rules.



## **Minnesota Gambling Control Board**

**1711 West County Road B, Suite 300 South  
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**651-539-1900**

**[www.mn.gov/gcb](http://www.mn.gov/gcb)**

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

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