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Minnesota Gambling Control Board

Annual Report

State of Minnesota Gambling Control Board



Fiscal Year

2017

July 1, 2016 - June 30, 2017



Message from the Board Chair and Executive Director

November 13, 2017

The 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 from bingo, paddlewheels, pull-tabs, raffles, and tipboards for the fiscal year beginning July 1, 2016, through June 30, 2017.

Fiscal year 2017 was another record year for gross sales—over \$1.7 billion! Minnesota remains the No. 1 state in the U.S. for charitable gambling activity.

Highlights:

- FY 2017 marks the 7th year in a row for increased sales with a 13.06% increase over FY 2016.
- There are approximately 2,765 sales locations in Minnesota (primarily bars and veteran posts).
- Pull-tabs make up the bulk of total sales with 93.13% of the \$1.7+ billion in sales.
- All forms of charitable gambling show increased activity. From FY 2016 to FY 2017, bingo increased 8.16%, paddlewheels 6.68%, pull-tabs 13.48%, raffles 6.84%, and tipboards 6.13%.
- On June 30, 2017, there were 718 sites (25% of total sites) with electronic pull-tabs. For FY 2017, gross sales from electronic pull-tabs were over \$200 million. Electronic pull-tab sales increased 122% from FY 2016 (and 507% from FY 2015).
- Paper pull-tab manufacturers have also increased their sales and marketing efforts, rolling out an average of 511 new games each month.
- With increased sales comes increased funding for charitable programs.
- A record \$1.45 billion was paid to players in prizes. On average, the prize payout for charitable gambling in Minnesota is 84%. Net receipts available to charities were over \$277 million for FY 2017. That leaves 16% from sales (net receipts) for expenses, charitable contributions, and taxes.
- After prizes, expenses, and taxes were paid, approximately \$75 million was available for lawful purpose contributions in Minnesota. These funds benefit military 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 2017 was a good year for the 1,145 licensed lawful gambling charities in Minnesota and the 2,765 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,

Handwritten signature of William Goede in black ink.

William Goede
Board Chair

Handwritten signature of Tom Barrett in black ink.

Tom Barrett
Executive Director

Statement of Cash Receipts/Expenditures

	Fee	Total Collected
Manufacturer license.....	\$10,000	\$110,000
Game approval/testing	\$30/\$125	\$288,665
Distributor license.....	\$7,000	\$ 70,000
Distributor salesperson license.....	\$150	\$17,400
Linked bingo game provider license	\$5,000	\$10,000
Organization license.....	\$350	\$398,650
Gambling manager license.....	\$100	\$128,000
Premises permit.....	\$150	\$441,300
Regulatory fee	0.125% (.00125) of gross receipts	\$2,142,394
Exempt permit (up to five days of activity, total prizes valued at \$50,000 or less).....	\$100/\$150	\$358,600
Total Gambling Control Board dedicated fees		\$3,965,009

Board FY 2017 expenditures:.....	\$3,118,079	
Transferred to the Department of Public Safety	\$70,000	
Returned from Public Safety as unused.....	(\$13,887)	
Total expenditures from the Board's dedicated account		\$3,174,192

FTE: 31.1 (number of employees)

Civil penalties, fines (consent orders, citations) deposited into the state's general fund \$40,150

Industry Overview

On June 30, 2017, the Minnesota lawful gambling industry consisted of:

<u>Licenses</u>	<u>Activities</u>
11 manufacturers.....	Sold product to licensed distributors (6,132 new games approved in FY17)
11 distributors.....	Sold product to licensed lawful gambling organizations
107 distributor salespersons.....	Persons licensed to sell gambling equipment to nonprofit organizations
2 linked bingo game providers	Provided linked bingo games to licensed organizations
1,145 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 Columbus208 18.2%
	Veterans - American Legion, VFW, and auxiliaries311 27.2%
	Religious - Church/Cathedral..... 23 2.0%
	Other nonprofit - Business/chamber/development,603 52.6%
	community, Jaycees, Lions, sportsman, rod & gun, hockey, fire relief, snowmobile, baseball, athletic, other
	Total nonprofit organizations1,145 100.0%
1,145 gambling managers.....	Members of licensed nonprofit organizations responsible for supervising organizations' lawful gambling operations
2,765 charitable gambling sites	Locations in Minnesota where lawful gambling was conducted in FY17 by licensed organizations
3,379 exempt permits.....	2,365 nonprofit organizations applied for permits to conduct limited gambling of up to five days per calendar year (January 1-December 31) and conducted 3,379 activities with tax-exempt gross receipts of \$43,561,425 (see page 7 for additional information)
569 excluded permits	355 nonprofit organizations applied for permits to conduct 569 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)

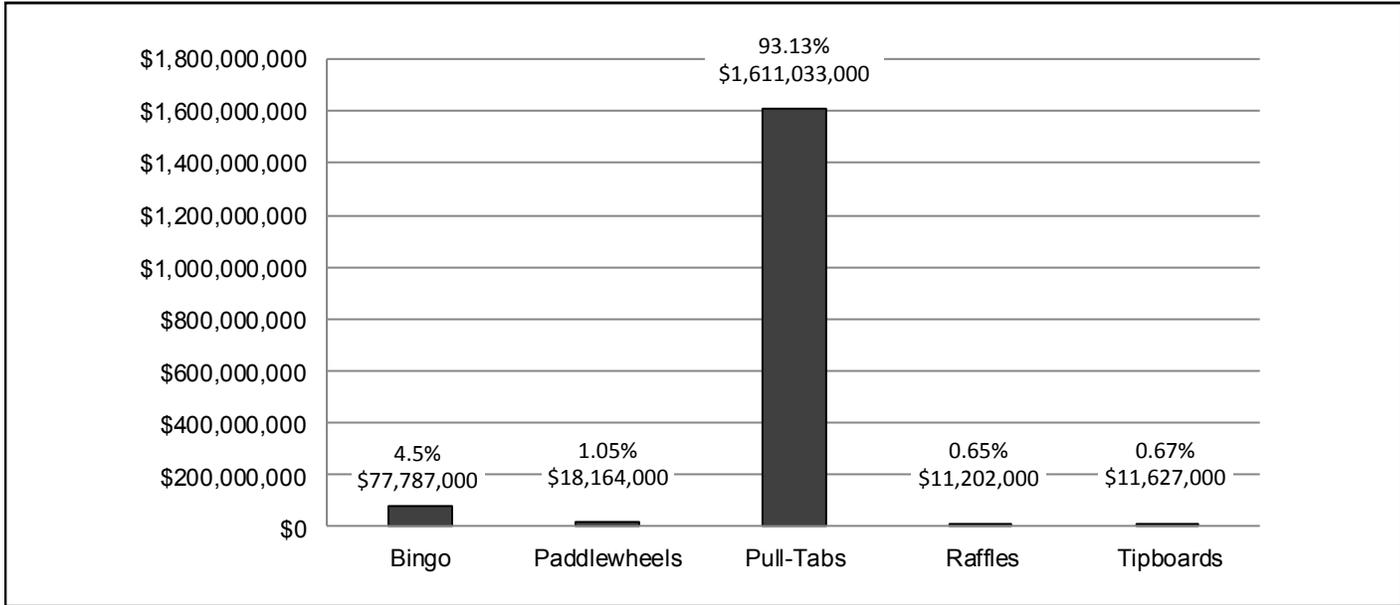
Lawful Gambling Statistics

2017 Fiscal Year Sales Activity Summary*

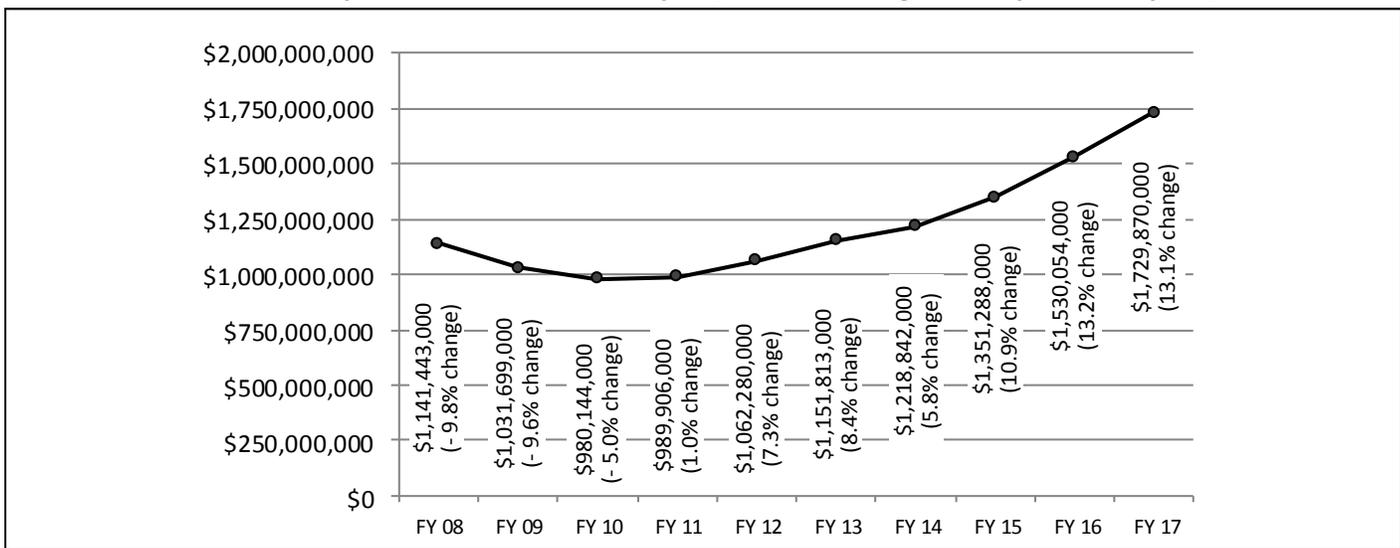
Activity	Gross Receipts (sales)			Prizes Paid		% Payout		Net Receipts (gross less prizes)		
	FY17	FY16	% Change	FY17	FY16	FY17	FY16	FY17	FY16	% Change
Bingo	\$77,787,000	\$71,918,000	8.16%	\$59,694,000	\$54,884,000	76.7%	76.3%	\$18,093,000	\$17,034,000	6.21%
Paper	\$70,518,000	\$68,059,000	3.61%	\$53,660,000	\$51,674,000			\$16,858,000	\$16,385,000	2.89%
Electronic	\$7,269,000	\$3,859,000	88.36%	\$6,035,000	\$3,209,000			\$1,234,000	\$649,000	90.19%
Paddlewheels	\$18,164,000	\$17,027,000	6.68%	\$12,901,000	\$12,121,000	71.0%	71.2%	\$5,263,000	\$4,906,000	7.28%
w/table	\$5,164,000	\$4,770,000	8.25%	\$4,506,000	\$4,179,000			\$657,000	\$590,000	11.41%
w/o table	\$13,001,000	\$12,258,000	6.06%	\$8,395,000	\$7,942,000			\$4,605,000	\$4,316,000	6.71%
Pull-Tabs	\$1,611,033,000	\$1,419,624,000	13.48%	\$1,365,901,000	\$1,197,704,000	84.8%	84.4%	\$245,132,000	\$221,920,000	10.46%
Paper	\$1,410,289,000	\$1,329,045,000	6.11%	\$1,193,790,000	\$1,120,084,000			\$216,498,000	\$208,960,000	3.61%
Electronic	\$200,744,000	\$90,579,000	121.6%	\$172,110,000	\$77,620,000			\$28,634,000	\$12,960,000	120.94%
Raffles	\$11,202,000	\$10,485,000	6.84%	\$5,285,000	\$4,955,000	47.2%	47.3%	\$5,917,000	\$5,530,000	7.00%
Tipboards	\$11,627,000	\$10,956,000	6.13%	\$8,612,000	\$8,089,000	74.1%	73.8%	\$3,016,000	\$2,867,000	5.19%
Interest	\$57,000	\$44,000	28.80%	n/a	n/a	n/a	n/a	\$57,000	\$44,000	27.27%
Totals	\$1,729,870,000	\$1,530,054,000	13.06%	\$1,452,393,000	\$1,277,753,000	84.0%	83.5%	\$277,477,000	\$252,301,000	9.98%

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

Comparison of Gross Receipts (Sales) by Activity - FY17



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 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.

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



FY 2017: \$1,670,000

Youth activities:

FY 2017: \$10,301,000




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



FY 2017: \$299,000

Scholarship funds and private or public nonprofit educational institutions:

FY 2017: \$4,013,000



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

FY 2017: \$2,351,000



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 2017: \$516,000



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

FY 2017: \$10,768,000
(not including taxes)



Total FY17 *Actual* Lawful Purpose Expenditures*:

\$135,304,000

State gambling taxes:
FY 2017: \$63,632,000

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 2017: \$23,513,000

Specific utility costs by licensed veterans and fraternal organizations:
FY 2017: \$4,809,000

Local and federal gambling taxes:
FY 2017: \$3,176,000

Lawful gambling license and regulatory fees:
FY 2017: \$3,023,000

Relieving effects of poverty, homelessness, or disabilities:
FY 2017: \$2,760,000

Real estate taxes:
FY 2017: \$2,754,000

Religious purposes:
FY 2017: \$952,000

Contributions to another licensed organization or parent organization with Board approval:
FY 2017: \$459,000

Membership events by licensed veterans organizations:
FY 2017: \$170,000

Community arts organizations or program sponsorships:
FY 2017: \$72,000

Recognition of humanitarian service:
FY 2017: \$61,000

Compulsive gambling programs:
FY 2017: \$5,000

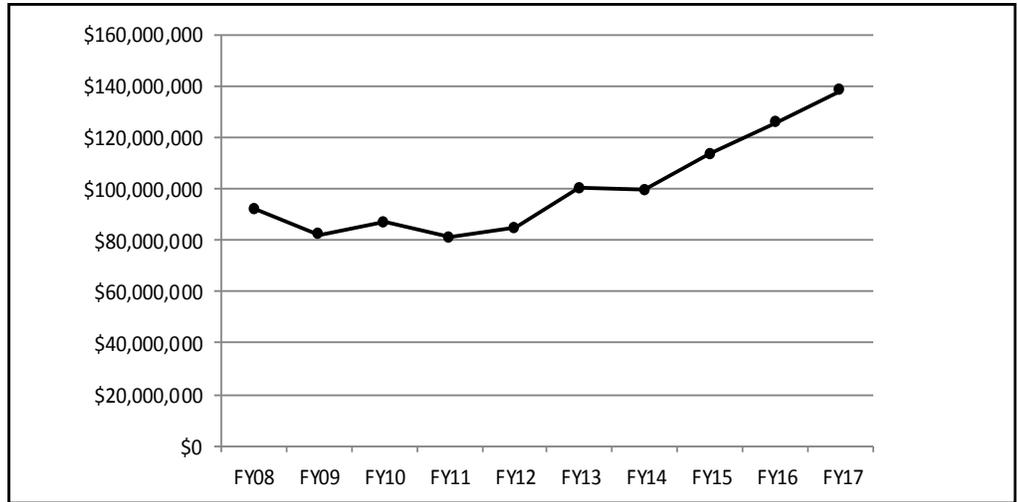
* Numbers are based on expenditures reported to the Gambling Control Board on form LG100C, Lawful Purpose Expenditures.

Funds Available for Lawful Purpose Expenditures (LPE)

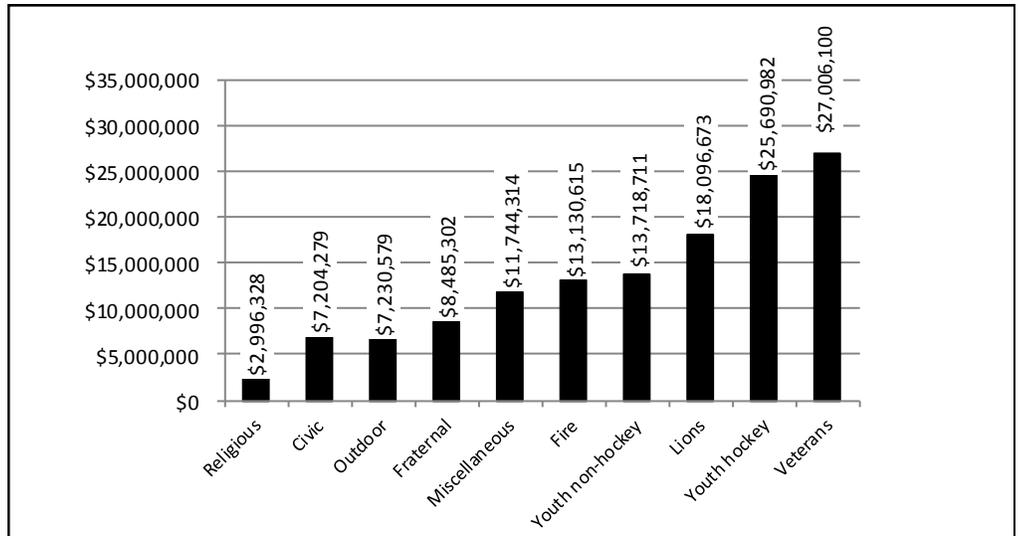
Available for Lawful Purposes
(after prizes and expenses)

2017	\$138,350,000
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

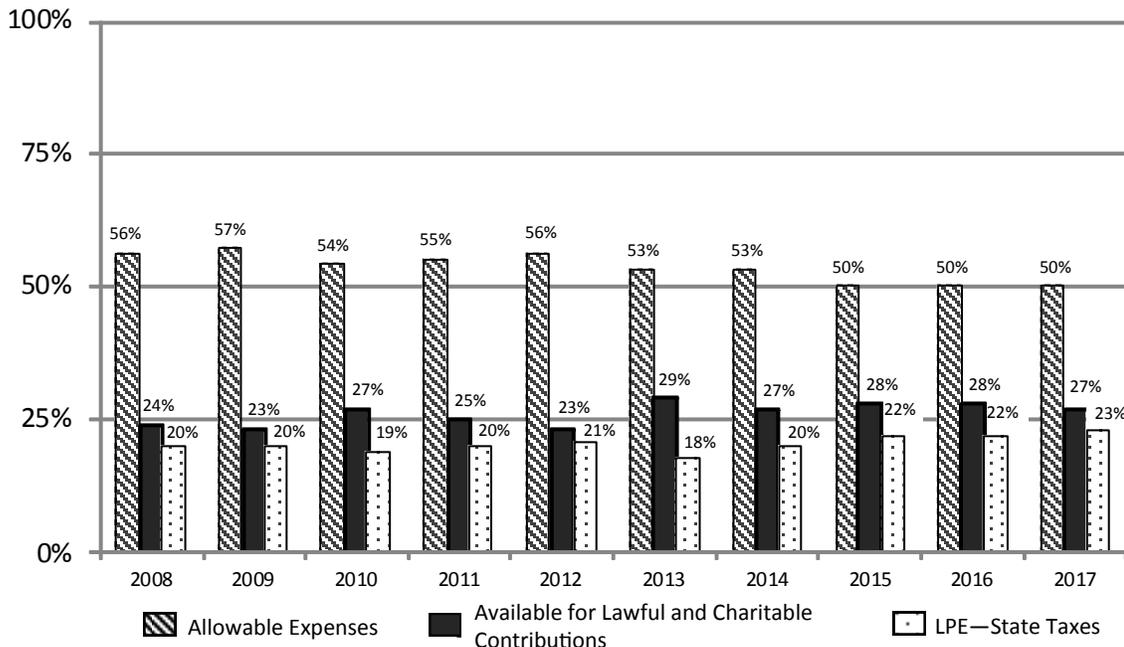
LPE includes state gambling taxes.
See page 6.



FY17 LPE by Type of Organization:



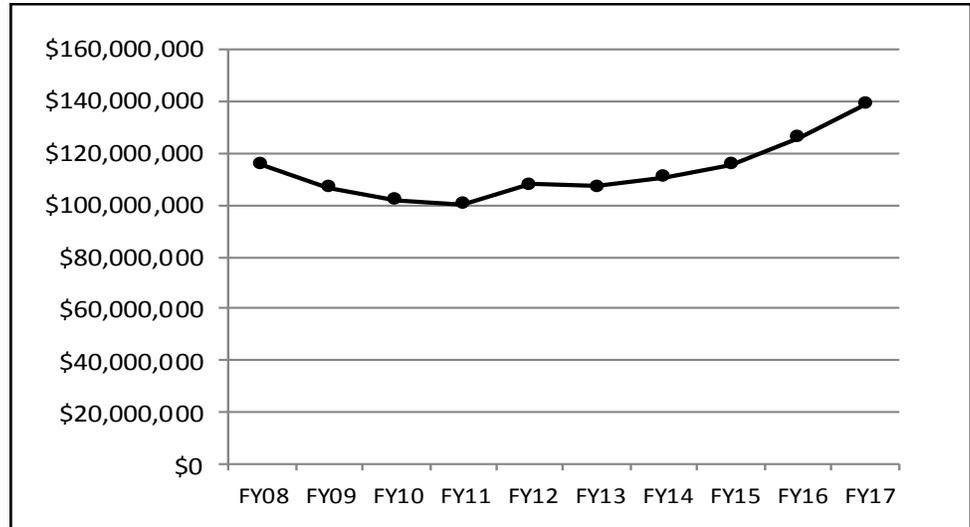
Distribution of Net Receipts (after prizes paid)



Allowable Expenses

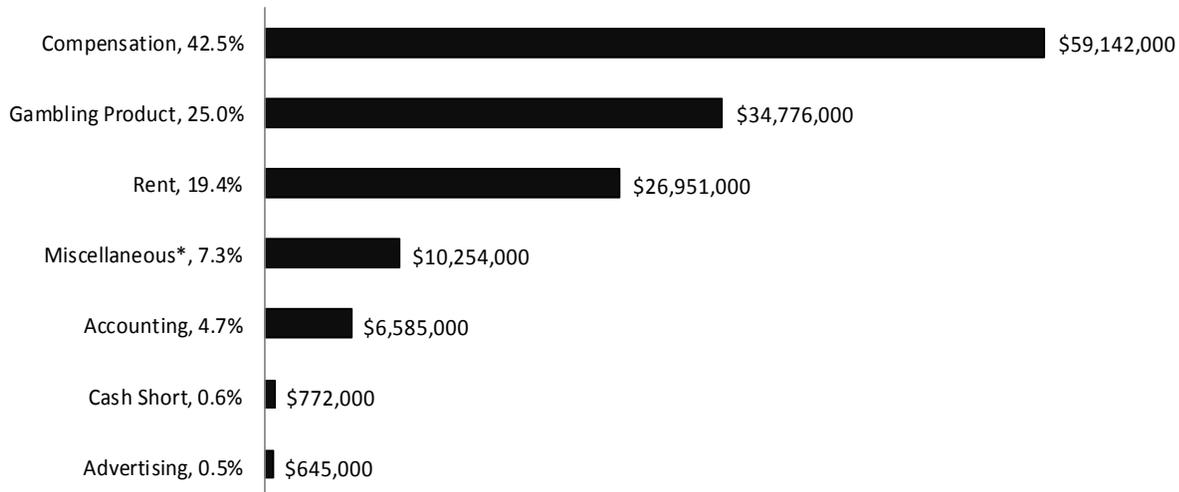
Allowable Expenses Ten-Year Comparison

2017	\$139,127,000
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



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.

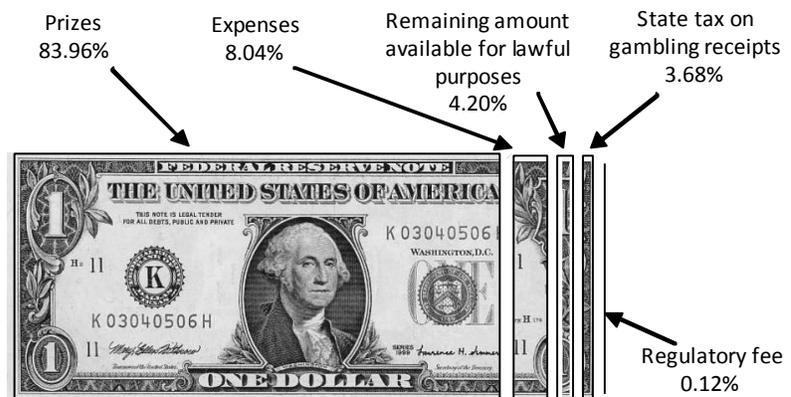
FY 17 Allowable Expenses, by Category



* Examples of miscellaneous expenses include office equipment and supplies, travel expenses, and gambling manager's bond.

Lawful Gambling Dollars — Where the Money Goes

For every dollar spent on lawful gambling in Minnesota in FY 2017, 84¢ was returned as prizes to players, leaving 16¢ for expenses, charitable contributions, and taxes. Many charitable causes benefit from lawful gambling proceeds that wouldn't otherwise receive these funds, 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 State Taxes

FY 2017 State Gambling Taxes

	FY 2017	FY 2016
Net receipts tax:	\$2,389,000	\$ 2,283,000
Combined net receipts tax:	<u>\$61,243,000</u>	<u>\$53,547,000</u>
Total State Gambling Tax:	\$63,632,000	\$55,830,000

The two state gambling taxes included as lawful purpose expenditures in FY17 are:

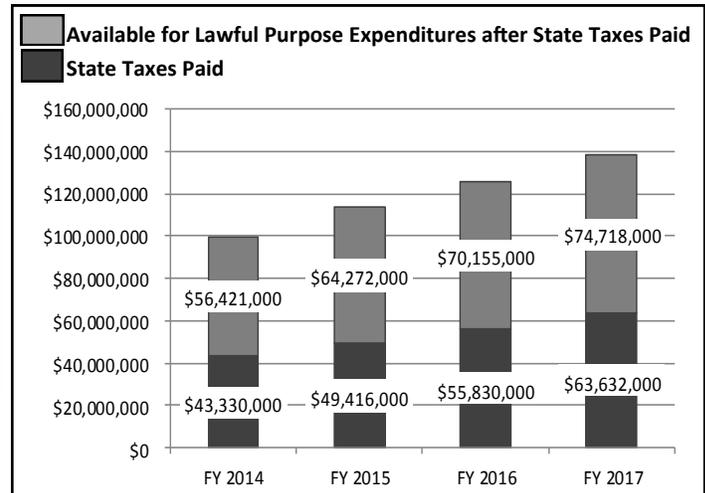
Net receipts tax, an 8.5% tax on the net receipts on non-linked bingo, raffles, and paddlewheels.

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.

State Gambling Tax Yearly Comparison

FY	Tax Paid	Net taxes as % of	
		Gross receipts	Net receipts
2017	\$63,632,000	3.7%	22.9%
2016	\$55,830,000	3.6%	22.1%
2015	\$49,416,000	3.7%	21.6%
2014	\$43,330,000	3.6%	20.6%



Understanding State Gambling Taxes

Taxes fall under the purview of the Minnesota Department of Revenue and the rates are set by the Legislature. The Minnesota Gambling Control Board is neutral on taxes. Minnesota has five forms of charitable gambling but, according to statute, taxes are not the same for each form and some organizations are tax-exempt. For non-linked bingo, raffles, and paddlewheels, the tax rate is a flat 8.5% of net receipts. All other gambling income is subject to the combined net receipts tax.

Per Minnesota Statutes, Section 297E.02, subdivision 6, the combined net receipts tax rates are as follows:

If the combined net receipts for the fiscal year are:	Then the tax is:
Not over \$87,500	nine percent
Over \$87,500, but not over \$122,500	\$7,875 plus 18 percent of the amount over \$87,500, but not over \$122,500
Over \$122,500, but not over \$157,500	\$14,175 plus 27 percent of the amount over \$122,500, but not over \$157,500
Over \$157,500	\$23,625 plus 36 percent of the amount over \$157,500

In other words, the more a charity makes, the higher the charity's tax rate. On day one of each fiscal year all charities start at the lowest rate (9%) and will pay that rate on the first \$87,500 made in that fiscal year. In FY 2017, 42% of organizations did not pay more than 9% tax because their annual combined net receipts did not exceed \$87,500. Organizations with annual combined net receipts over \$87,500 paid 18% on their next \$35,000 of net receipts, 27% on the \$35,000 after that, and then 36% on any net receipts earned after their annual net receipts hit \$157,500. This means that an organization with annual combined net receipts of \$200,000 paid an average tax rate of less than 20% for the year, even though the organization paid 36% tax on the last \$42,500 it earned at the end of the year.

Observations Based on Charities' Reporting to the Board:

- 8% (93 out of 1,173) of licensed organizations pay half of all state taxes on gambling receipts.
- 92% (1,080 out of 1,173) pay the other half of all state taxes on gambling receipts.
- 36% (426 out of 1,173) reach the highest rate (36% of net) at some point in the fiscal year.
- 42% (496 out of 1,173) pay the lowest rate (9% of net) the entire fiscal year.

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 (January 1-December 31) and not award more than \$50,000 in prizes for lawful gambling in a calendar year. In fiscal year 2017, 2,365 nonprofit organizations applied for permits to conduct limited gambling of up to five days per calendar year and conducted 3,379 activities with tax-exempt gross receipts of \$43,561,425.

<u>Tax-Exempt activity</u>	<u>Gross receipts</u>	<u>Expenses</u>	<u>Profit</u>
Raffles	\$41,330,202	\$16,447,931	\$24,882,271
Bingo	\$ 1,218,362	\$ 462,756	\$ 755,606
Pull-Tabs	\$ 724,151	\$ 533,362	\$ 190,789
Paddlewheel	\$ 228,495	\$ 84,895	\$ 143,600
Tipboards	\$ 60,215	\$ 32,999	\$ 27,216
Tax-Exempt Totals	\$43,561,425	\$17,561,943	\$25,999,482

FY 2017 Top Ten Lawful Gambling Statistics

FY 2017 Top Ten Grossing Organizations, All Lawful Gambling Activity

<u>Organization</u>	<u>Gross</u>	<u>Prizes</u>	<u>Net</u>
Merrick, Inc., Vadnais Hts.	\$25,120,283	\$21,384,071	\$3,736,212
Northwest Area Jaycees, Maple Grove	\$16,842,225	\$14,752,993	\$2,089,232
White Bear Lake Area Hockey Association	\$16,774,372	\$14,238,363	\$2,536,010
Centennial Youth Hockey Association, Circle Pines	\$14,952,393	\$13,069,136	\$1,883,257
Irving Community Association, Duluth	\$14,812,889	\$12,530,533	\$2,282,356
Blaine Youth Hockey Association	\$14,079,549	\$11,825,523	\$2,254,026
Ramsey Lions Club	\$13,305,728	\$11,564,193	\$1,741,535
Eagan Hockey Association	\$13,270,998	\$11,717,303	\$1,553,695
Amvets Post 1, Mendota	\$13,003,095	\$11,322,269	\$1,680,826
Climb, Inc., Inver Grove Hts.	\$12,840,983	\$10,698,027	\$2,142,956

FY 2017 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>
American Legion Post 1776, Apple Valley	American Legion Post 1776, Apple Valley	\$8,026,734	\$6,957,570	\$1,069,164
Bunny's Bar & Grill, Minneapolis	St. Louis Park Hockey Boosters Assoc.	\$7,874,698	\$6,821,533	\$1,053,165
American Legion Post 580, Chanhassen	American Legion Post 580, Chanhassen	\$7,208,383	\$6,219,523	\$988,860
Neisen's Sports Bar & Grill, Savage	German Days, Inc., Belle Plaine	\$6,489,866	\$5,631,434	\$858,432
American Legion Post 270, Buffalo	American Legion Post 270, Buffalo	\$6,378,289	\$5,627,006	\$751,283
JC's Bar & Grill, Maple Grove	Northwest Area Jaycees, Maple Grove	\$6,086,652	\$5,341,939	\$744,713
Ole Piper Inn, Blaine	Blaine Youth Hockey Association	\$5,622,239	\$4,703,499	\$918,740
Sports Page, Bloomington	American Legion Post 550, Bloomington	\$5,544,360	\$4,914,072	\$630,288
McHugh's Grille & Bar, Savage	Burnsville Lions Club	\$5,359,203	\$4,743,674	\$615,529
American Legion Post 172, Osseo	American Legion Post 172, Osseo	\$5,350,534	\$4,607,054	\$743,480

FY 2017 Top Ten Organizations, Charitable Contributions vs. Expenses

<u>Organization*</u>	<u>Net Receipts</u>	<u>Charitable Contributions</u>	<u>Allowable Expenses (AE)</u>	<u>Amount Spent on Charitable Contributions for Each Dollar Spent on AE</u>
Knights of Columbus Council 1575, Fairmont	\$66,030	\$49,200	\$3,965	\$12.41
American Legion Post 464, Brewster	\$31,847	\$24,010	\$4,406	\$5.45
American Legion Post 118, Wayzata	\$98,807	\$51,182	\$11,241	\$4.55
St. Peter & Paul Church, Richmond	\$20,718	\$14,187	\$3,186	\$4.45
Ducks Unlimited, Frozen North Chapter 271, Garrison	\$117,098	\$73,000	\$20,894	\$3.49
Knight Riders Snowmobile Club, Inc., Fosston	\$38,547	\$37,003	\$10,996	\$3.37
Duelm Area Lions Club, Foley	\$76,490	\$35,242	\$15,381	\$2.29
Club Almar Sports, Inc., St. Cloud	\$100,285	\$58,132	\$26,028	\$2.23
Chatfield Athletic Club	\$56,020	\$38,138	\$17,136	\$2.23
Janesville Rotary Club	\$33,436	\$16,900	\$7,644	\$2.21

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

Local Unit of Government Lawful Gambling Regulatory Tax (Up to 3%)

Under Minnesota Statutes, Section 349.213, subdivision 3, a city or county may impose up to 3% of gross receipts less prizes paid per year, *only if the amount is necessary to cover costs incurred in regulating 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 to the Minnesota Gambling Control Board. A city or county may not use money collected for any purpose other than to regulate lawful gambling, which includes site inspections, compliance reviews, corrective action, and trade area monitoring. Regulating lawful gambling does not include monitoring that tax payments are made to the city or providing for past or future calendar year costs relating to lawful gambling regulation.

Cities or counties imposing this tax must report to the Gambling Control Board annually by March 15 showing the amount of tax collected during the calendar year, the use of the proceeds of the tax, and refunds of overages collected. If a city or county spends more than its previous calendar balance plus amount collected in a calendar year, the negative balance does not carry forward. If a city or county does not incur lawful gambling costs, cities should reimburse the contributing charities.

- In calendar year 2016, 27 cities reported collecting **\$916,379.48** in lawful gambling tax dollars from charities.
- A total of **\$14,999.58** was refunded to charities.
- A total of **\$1,125,696.04** is unincurred.

City	%	CY15 Balance	Interest	Collected	Spent	Refunded	CY16 Balance
Andover	0.10	\$0.00	\$0.00	\$1,738.21	\$1,738.21	\$0.00	\$0.00
Austin	0.50	\$429.19	\$0.00	\$3,774.93	\$3,665.61	\$0.00	\$538.51
Bloomington	0.25	\$41,865.09	\$0.00	\$9,303.77	\$1,214.13	\$0.00	\$49,954.73
Bock	3.00	\$1,086.78	\$0.00	\$2,408.68	\$0.00	\$0.00	\$3,495.46
Columbus	1.00	\$5,047.63	\$0.00	\$2,902.29	\$846.50	\$0.00	\$7,103.42
Duluth	3.00	\$0.00	\$0.00	\$59,070.26	\$30,839.00	\$0.00	\$28,231.26
East Bethel	3.00	\$0.00	\$0.00	\$42,564.53	\$42,564.53	\$0.00	\$0.00
Eden Prairie	3.00	\$21,814.17	\$0.00	\$0.00	\$0.00	\$0.00	\$21,814.17
Fridley	3.00	\$0.00	\$0.00	\$63,464.51	\$63,464.51	\$0.00	\$0.00
Jackson	1.00	\$0.00	\$0.00	\$765.53	\$765.53	\$0.00	\$0.00
Lilydale	3.00	\$3,059.20	\$0.00	\$2,465.80	\$0.00	\$0.00	\$5,525.00
Lino Lakes	0.10	\$0.00	\$0.00	\$1,181.50	\$0.00	\$0.00	\$1,181.50
Mankato	3.00	\$146,944.97	\$734.73	\$88,192.46	\$11,431.95	\$0.00	\$224,440.21
Maple Grove	0.50	\$22,067.51	\$0.00	\$13,869.00	\$4,123.72	\$0.00	\$31,812.79
Mendota	2.00	\$13,239.30	\$0.00	\$8,356.45	\$11,428.75	\$0.00	\$10,167.00
Minneapolis	3.00	\$272,889.05	\$2,892.50	\$212,556.17	\$188,775.99	\$0.00	\$299,561.73
North Mankato	3.00	\$0.00	\$0.00	\$24,047.45	\$24,047.45	\$0.00	\$0.00
Owatonna	3.00	\$459.58	\$0.00	\$3,500.00	\$4,577.00	\$0.00	\$0.00
Plymouth	3.00	\$13,593.18	\$213.33	\$0.00	\$0.00	\$0.00	\$13,806.51
Roseville	3.00	\$116,906.65	\$0.00	\$93,814.78	\$56,265.81	\$0.00	\$154,455.62
Shoreview	3.00	\$0.00	\$0.00	\$3,007.47	\$0.00	\$3,007.47	\$0.00
Spring Lake Park	3.00	\$0.00	\$0.00	\$44,546.11	\$32,554.00	\$11,992.11	\$0.00
St. Louis Park	3.00	\$4,589.35	\$0.00	\$10,810.55	\$11,835.53	\$0.00	\$3,564.37
St. Paul	2.50	\$207,027.52	\$0.00	\$167,646.16	\$106,101.26	\$0.00	\$268,572.42
Waterville	3.00	\$0.00	\$0.00	\$6,088.33	\$6,088.33	\$0.00	\$0.00
White Bear Lake	2.00	\$16.00	\$0.00	\$45,711.00	\$45,727.00	\$0.00	\$0.00
Worthington	3.00	\$0.00	\$0.00	\$4,593.54	\$2,504.78	\$0.00	\$2,088.76
Totals		\$871,035.17	\$3,840.56	\$916,379.48	\$650,559.59	\$14,999.58	1,125,696.04

* The CY16 balance does not equal the CY15 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.

Voluntary Contributions

Separate from the 3% lawful gambling regulatory tax and the required 10% lawful gambling 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 2017, a total of \$10,768,000 was voluntarily contributed by licensed lawful gambling organizations to units of government for contributions allowed under code A10. Cities and 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.

Local Unit of Government 10% Lawful Gambling Contribution Fund

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 allowed under Minn. Stat. 349.12, subd. 7a, or for police, fire, and other emergency or public safety-related services, equipment, and training. The funds are subject to Chapter 349 and, other than police and fire services, the city or county may not keep control over the funds once spent.
- The fund may not be used for the payment of pension obligations or general government functions.
- Use of the funds by a city or county are subject to audit.
- 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 calendar year balance plus the 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 Minnesota Gambling Control Board by March 15 each year.
 - In calendar year 2016, 121 cities had balances or reported collecting lawful gambling contributions up to 10% as mandated by ordinance.
 - A total of **\$1,517,798.50** was contributed to cities in calendar year 2016 under the “required” contribution provision in statute.
 - Cities report an unspent balance of **\$2,467,028.56** as of December 31, 2016.

City	%	CY15 Balance	Interest	Collected	Spent	CY16 Balance
Afton	10%	\$0.00	\$0.00	\$84.47	\$0.00	\$84.47
Alexandria	10%	\$0.00	\$0.00	\$56,617.65	\$56,617.65	\$0.00
Andover	10%	\$79,329.57	\$983.37	\$52,439.58	\$53,692.00	\$79,060.52
Annandale	10%	\$7,973.13	\$91.23	\$2,886.44	\$0.00	\$10,950.80
Arden Hills	10%	\$0.00	\$0.00	\$23,358.93	\$47,879.53	\$0.00
Aurora	10%	\$2,662.29	\$0.00	\$7,788.26	\$7,789.00	\$2,661.55
Barnum	10%	\$117.33	\$0.00	\$2,290.35	\$1,641.00	\$766.68
Battle Lake	10%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Bayport	0%	\$98,889.37	\$0.00	\$11,581.34	\$0.00	\$110,470.71
Belle Plaine	10%	\$9,094.92	\$0.00	\$12,453.22	\$5,405.11	\$16,143.03
Bigelow	0%	\$6,118.90		CY16 report not received		\$6,118.90
Bigfork	10%	\$8,734.62	\$1.18	\$10,737.87	\$0.00	\$19,473.67
Blaine	10%	\$130,405.94	\$368.79	\$141,151.67	\$157,250.00	\$114,676.40
Bovey	10%	\$240.08	\$0.00	\$688.56	\$300.00	\$628.64
Bricelyn	10%	\$1,455.81	\$0.00	\$265.80	\$0.00	\$1,721.61
Brownsville	10%	\$0.00	\$0.00	\$2,140.22	\$2,210.75	\$0.00
Byron	10%	\$0.00	\$5.55	\$3,780.00	\$3,785.55	\$0.00
Carlton	10%	\$20,774.11	\$45.86	\$19,309.49	\$11,325.00	\$28,804.46
Chanhasen	10%	\$38,368.10	\$265.72	\$36,526.63	\$22,569.59	\$52,590.86
Chisago City	10%	\$12,596.16	\$147.97	\$10,647.04	\$10,118.23	\$13,272.94
Cloquet	1%	\$0.00	\$0.00	\$12,311.56	\$12,311.56	\$0.00
Cold Spring	10%	\$75,292.08	\$1,471.12	\$7,724.66	\$7,505.80	\$76,982.06
Columbus	10%	\$12,500.81	\$45.50	\$12,476.41	\$10,000.00	\$15,022.72
Coon Rapids	5%	\$21,583.44	\$587.52	\$43,768.23	\$39,391.41	\$26,547.78
Corcoran	10%	\$0.00	\$0.00	\$22,440.00	\$6,000.00	\$16,440.00
Cottage Grove	0%	\$9,405.24	\$52.04	\$0.00	\$5,000.00	\$4,457.28
Cromwell	10%	\$702.34	\$0.00	\$912.70	\$100.00	\$1,515.04
Crystal	10%	\$0.00	\$0.00	\$39,977.01	\$39,977.01	\$0.00
Darwin	10%	\$0.00		CY16 report not received		\$0.00
Delavan	10%	\$12,020.69	\$0.00	\$3,929.86	\$4,841.75	\$11,108.80
Dennison	10%	\$0.00	\$0.00	\$1,925.89	\$2,003.97	\$0.00
Duluth	5%	\$31,762.00	\$0.00	\$10,016.00	\$0.00	\$41,778.00
Dundas	10%	\$0.00	\$0.00	\$4,397.11	\$4,397.11	\$0.00
Eden Prairie	0%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Effie	10%	\$0.00	\$0.00	\$2,620.81	550.57	\$2,070.24
Elgin	10%	\$5,585.08	\$0.00	\$4,532.80	\$0.00	\$10,117.88
Elko/New Market	5%	\$7,692.94	\$6.03	\$6,205.73	\$0.00	\$13,904.70
Evansville	10%	\$0.00	\$0.00	\$6,580.61	\$6,580.61	\$0.00
Eveleth	10%	\$30,857.45	\$0.00	\$7,915.19	\$3,100.00	\$35,672.64
Eyota	10%	\$22,018.30	\$6.13	\$5,137.75	\$3,547.80	\$23,614.38
Faribault	5%	\$63,816.76	\$313.71	\$20,955.82	\$24,384.00	\$60,702.29
Floodwood	10%	\$1,277.27	\$0.00	\$1,794.08	\$1,700.00	\$1,371.35
Garfield	10%	\$0.00	\$0.00	\$1,947.84	\$1,947.84	\$0.00
Gem Lake	10%	\$3,999.36	\$0.00	\$7,197.50	\$6,250.00	\$4,946.86
Ghent	10%	\$0.00	\$0.00	\$1,959.80	\$1,959.80	\$0.00
Golden Valley	10%	\$0.00	\$1,219.45	\$31,630.87	\$32,850.32	\$0.00
Gully	10%	\$15,070.72	\$5.50	\$2,875.82	\$15,702.05	\$2,249.99
Ham Lake	10%	\$22,250.37	\$155.66	\$21,063.18	\$15,000.00	\$28,469.21
Hampton	10%	\$0.00	\$0.00	\$1,882.36	\$1,882.36	\$0.00
Hanska	10%	\$6,162.54	\$0.00	\$4,281.03	\$0.00	\$10,443.57
Hawley	10%	\$6,480.90	\$3.25	\$0.00	\$0.00	\$6,484.15
Hewitt	10%	\$738.41	\$0.23	\$424.78	\$1,000.00	\$163.42
Hokah	10%	\$3,077.60	\$0.00	\$3,058.71	\$0.00	\$6,136.31

City	%	CY15 Balance	Interest	Collected	Spent	CY16 Balance
Hollandale	10%	\$0.00	\$0.00	\$686.38	\$686.38	\$0.00
Independence	10%	\$0.00	\$0.00	\$1,190.30	\$1,190.30	\$0.00
Kasota	10%	\$5,516.00	\$0.00	\$2,739.00	\$0.00	\$8,255.00
Kerkhoven	10%	\$881.23	\$3.23	\$0.00	\$0.00	\$884.46
Kettle River	10%	\$48.00	\$0.00	\$1,482.28	\$799.57	\$730.71
Kilkenny	10%	\$3,899.08	\$0.00	\$2,677.38	\$3,899.08	\$2,677.38
Lake St. Croix Beach	10%	\$1,441.55	\$0.00	\$2,623.27	\$0.00	\$4,064.82
Lakeland	10%	\$7,035.38	\$0.00	\$5,991.13	\$13,026.51	\$0.00
Lakeland Shores	10%	\$5.38	\$0.00	\$358.45	\$0.00	\$363.83
LaPrairie	10%	\$0.00	\$0.00	\$338.00	\$338.00	\$0.00
Lexington	10%	\$63,531.25	\$0.00	\$17,503.59	\$8,003.50	\$73,031.34
Lilydale	10%	\$0.00	\$0.00	\$1,963.13	\$1,963.13	\$0.00
Little Canada	10%	\$106,525.19	\$2,345.54	\$33,029.05	\$20,714.53	\$121,185.25
Long Beach	10%	\$0.00	\$0.00	\$8,829.83	\$1,800.00	\$7,029.83
Long Lake	10%	\$3,798.00	\$25.00	\$3,588.98	\$1,066.05	\$6,345.93
Madison Lake	10%	\$1,163.75	\$0.00	\$3,080.72	\$1,802.98	\$2,441.49
Mahtomedi	10%	\$28,017.98	\$664.23	\$12,722.70	\$0.00	\$41,404.91
Maple Grove	10%	\$317,154.11	\$6,424.01	\$93,219.00	\$83,224.80	\$333,572.32
Mapleview	10%	\$13,977.91	\$5.04	\$5,681.50	\$0.00	\$19,664.45
Maplewood	10%	\$20,616.06	\$0.00	\$20,071.00	\$28,969.00	\$11,718.06
Mayer	10%	\$0.00	\$0.00	\$6,558.00	\$6,558.00	\$0.00
Mendota	10%	\$0.00	\$0.00	\$4,971.64	\$4,971.64	\$0.00
Milaca	10%	\$23,310.00	\$384.00	\$21,522.00	\$11,426.00	\$33,790.00
Millville	10%	\$21,035.46	\$0.00	\$2,614.60	\$3,295.53	\$20,354.53
Minneapolis	10%	\$29,861.42	\$0.00	\$57,894.70	\$0.00	\$87,756.12
Motley	10%	\$20,167.00	\$0.00	\$8,916.11	\$0.00	\$29,083.11
Mountain Iron	10%	\$8,207.46	\$31.31	\$4,420.24	\$3,650.00	\$9,009.01
Myrtle	10%	\$7,449.44	\$0.00	\$6,385.30	\$8,199.76	\$5,634.98
New Hope	10%	\$0.00	\$0.00	\$3,325.94	\$3,325.94	\$0.00
Newport	10%	\$0.00	\$0.00	\$3,397.51	\$2,338.78	\$1,058.73
North Mankato	10%	\$621.30	\$0.00	\$14,791.53	\$15,000.00	\$412.83
Oak Grove	10%	\$16,176.42	\$228.71	\$2,676.39	\$0.00	\$19,081.52
Oakdale	10%	\$44,678.00	\$780.00	\$33,479.11	\$33,500.00	\$45,437.11
Otsego	10%	\$0.00	\$0.00	\$3,510.13	\$3,510.13	\$0.00
Plymouth	10%	\$0.00	\$34.07	\$41,911.97	\$41,946.04	\$0.00
Proctor	10%	\$12,299.59	\$0.00	\$106.60	\$0.00	\$12,406.19
Ramsey	5%	\$95,503.63	\$1,064.34	\$64,015.22	\$20,000.00	\$140,583.19
Randolph	10%	\$0.00	\$0.00	\$2,935.14	\$2,935.14	\$0.00
Rockford	10%	\$1,590.00	\$0.00	\$17,600.00	\$17,600.00	\$1,590.00
Rose Creek	10%	\$7,072.75		CY16 report not received		\$7,072.75
Roseville	10%	\$15,819.46	\$0.00	\$110,017.60	\$69,000.00	\$56,837.06
Scanlon	10%	\$9,928.22	\$18.90	\$4,338.04	\$5,049.00	\$9,236.16
Sedan	10%	\$1,678.76		CY16 report not received		\$1,678.76
Shafer	5%	\$32,221.32	\$57.04	\$3,385.71	\$0.00	\$35,664.07
Sherburn	10%	\$4,056.46	\$0.00	\$758.45	\$2,050.00	\$2,764.91
Shoreview	10%	\$0.00	\$0.00	\$4,104.74	\$4,104.74	\$0.00
Slayton	10%	\$0.00	\$0.00	\$2,524.70	\$2,524.70	\$0.00
Spicer	1%	\$26,569.00	(\$14.00)	\$5,174.00	\$0.00	\$31,729.00
Spring Valley	10%	\$13,609.85	\$27.16	\$7,827.68	\$8,910.00	\$12,554.69
St. Francis	10%	\$33,444.78	\$274.09	\$13,712.56	\$0.00	\$47,431.43
St. Louis Park	10%	\$1,408.95	\$0.00	\$0.00	\$0.00	\$1,408.95
St. Martin	10%	\$48.14	\$0.00	\$2,232.48	\$1,421.18	\$859.44
St. Paul	10%	\$17,191.55	\$257.75	\$18,894.01	\$32,291.26	\$4,052.05
Stockton	10%	\$0.00	\$0.00	\$2,300.00	\$2,300.00	\$0.00
Taylors Falls	10%	\$218.12	\$0.00	\$856.66	\$136.98	\$937.80
Tower	10%	\$0.00	\$0.00	\$2,253.61	\$2,253.61	\$0.00
Utica	10%	\$0.00	\$1.00	\$2,874.00	\$4,045.00	\$0.00
Vadnais Heights	10%	\$66,171.61	\$0.00	\$23,519.74	\$22,375.30	\$67,316.05
Vergas	10%	\$4,852.92	\$0.00	\$6,125.75	\$6,687.00	\$4,291.67
Victoria	10%	\$123,614.00	\$1,847.00	\$5,000.00	\$0.00	\$130,461.00
Wahkon	10%	\$880.27	\$0.00	\$7,352.38	\$2,029.53	\$6,203.12
Waite Park	10%	\$48,333.27	\$57.09	\$53,438.88	\$35,189.47	\$66,639.77
Waterville	10%	\$0.00	\$0.00	\$3,008.24		\$3,008.24
Waverly	10%	\$0.00	\$0.00	\$8,281.39	\$3,395.00	\$4,886.39
Wilton	10%	\$129.25		CY16 report not received		\$129.25
Winnebago	10%	\$1,721.87	\$0.00	\$4,403.75	\$3,300.00	\$2,825.62
Winsted	5%	\$0.00	\$0.00	\$5,000.00	\$5,000.00	\$0.00
Wrenshall	10%	\$1,858.39	\$1.72	\$2,905.72	\$0.00	\$4,765.83
Wyoming	10%	\$58,624.00	\$0.00	\$12,008.96	\$1,549.42	\$69,083.54
Totals		\$2,093,018.16	\$20,293.04	\$1,517,798.50	\$1,189,920.35	\$2,467,028.56

Accomplishing the Board's Mission

The Minnesota Gambling Control Board performs many tasks to accomplish the Board's mission of regulating the lawful gambling industry to ensure the integrity of operations and provide for the lawful use of net profits. Starting with an in-depth license application process, Board staff regulates, educates, and helps guide lawful gambling organizations. Staff conducts compliance audits of lawful gambling organizations' operations, performs inspections of lawful gambling sites, and investigates alleged misconduct, theft, and fraud. Staff examines and makes recommendations on requests for expenditures of lawful gambling funds, and tests each game that is available for play in Minnesota.

Audits, Inspections, and Investigations

Regulation and guidance is provided by the Board to licensed organizations through compliance audits, inspections, and investigations.

Board staff conducts compliance audits of licensed organizations' lawful gambling operations. Organizations are notified of areas that are working well and areas that may require correction. Site inspections are routinely performed to determine if gambling is conducted in compliance with gambling statutes and rules. Board staff also conducts investigations into allegations of misconduct, theft, and fraud.

Education

Educating the lawful gambling industry is an important part of the Board's mission. 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 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 57 continuing education classes provided during fiscal year 2017, 22 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.

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.

Publication and Guides

The Board provides several useful publications and guides for lawful gambling organizations:

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

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	6/16 to 6/20
Geno Fragnito, Vice Chair, Woodbury	Governor	7/14 to 6/18
William Gillespie, Secretary, St. Paul	Attorney General	9/11 to 6/19
Norman Pint, New Prague	Public Safety	7/11 to 6/19
James Nardone, Grand Rapids	Governor	8/16 to 6/20
Kenneth Koch, Eagan	Governor	7/17 to 6/21
Beth Pinkney, Woodbury	Governor	7/14 to 6/18

Statutes and Rules

Legislative Changes: There were no legislative changes affecting lawful gambling during the 2017 legislative session. Previous years' summaries can be found at mn.gov/gcb under Reports & Legislation.

Rule Changes: There were no rules changes affecting lawful gambling during FY 2017. Information on the Board's rules docket, any current rules processes, and obsolete rules can be found at mn.gov/gcb under Statutes & Rules.



Minnesota Gambling Control Board

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

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