



Minnesota Gambling Control Board

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Suite 300 South  
1711 West County Road B  
Roseville MN 55113  
651-539-1900  
[www.mn.gov/gcb](http://www.mn.gov/gcb)

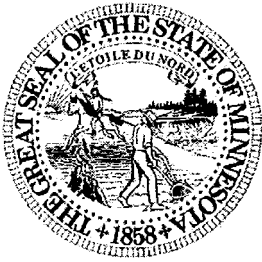
# State of Minnesota Minnesota Gambling Control Board Annual Report



Fiscal Year  
2018

July 1, 2017 - June 30, 2018





## Message from the Board Chair and Executive Director

November 13, 2018

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 paper and electronic bingo, paddlewheels, paper and electronic pull-tabs, raffles, and tipboards for the fiscal year beginning July 1, 2017, through June 30, 2018.

Fiscal year 2018 was another record year for gross sales—over \$2 billion! Minnesota remains the No. 1 state in the U.S. for charitable gambling activity.

### Highlights:

- FY 2018 marks the 8th year in a row for increased sales with a 15.6% increase over FY 2017.
- There are approximately 2,804 sales locations in Minnesota (primarily bars and veteran posts).
- Pull-tabs make up the bulk of total sales with 93% of the \$2 billion in sales.
- All forms of charitable gambling show increased activity. From FY 2017 to FY 2018, bingo increased 15.7%, paddlewheels 5.5%, pull-tabs 15.9%, raffles 9.6%, and tipboards 6.0%.
- On June 30, 2018, there were nearly 1,000 sites with electronic pull-tabs (36% of total sites). For FY 2018, gross sales from electronic pull-tabs were over \$360 million. Electronic pull-tab sales increased 80% from FY 2017.
- Paper pull-tab manufacturers have also increased their sales and marketing efforts, rolling out an average of 528 new games each month.
- A record \$1.6 billion was paid to players in prizes. The average prize payout was 84.3% of gross receipts. That left 15.7%, or \$314 million, in net receipts for expenses, charitable contributions, taxes, and other lawful purposes such as property taxes and building expenses for veterans posts and fraternal clubs.
- After prizes, expenses, and state gambling taxes were paid, over \$83 million was available for lawful purpose contributions. 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.

Fiscal year 2018 was a good year for the 1,144 licensed lawful gambling charities in Minnesota and the 2,804 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.

William Goede  
Board Chair

Handwritten signature of Tom Barrett.

Tom Barrett  
Executive Director

# Statement of Cash Receipts/Expenditures

	<u>Fee</u>	<u>Total Collected</u>
Manufacturer license.....	\$10,000	\$120,000
Game approval/testing.....	\$30/\$125	\$311,500
Distributor license.....	\$7,000	\$63,000
Distributor salesperson license.....	\$150	\$20,600
Linked bingo game provider license.....	\$5,000	\$10,000
Organization license.....	\$350	\$397,600
Gambling manager license.....	\$100	\$130,800
Premises permit.....	\$150	\$457,600
Regulatory fee.....	0.125% (.00125) of gross receipts	\$2,457,700
Exempt permit (up to five days of activity, total prizes valued at \$50,000 or less).....	\$100/\$150	<u>\$350,900</u>
	<b><u>Total Gambling Control Board dedicated fees</u></b>	<b><u>\$4,319,700</u></b>
Legislative appropriation FY 2018.....		\$3,422,000
Actual Board FY 2018 expenditures.....		\$3,265,700
Unused appropriation returned to dedicated account.....		\$156,000
Transferred to the Department of Public Safety (from dedicated account).....		\$70,000
Returned from Public Safety as unused (to dedicated account).....		\$13,886
31.2 FTE		
Civil penalties, fines (consent orders, citations) deposited into the state's general fund.....		\$68,850

## Industry Overview

On June 30, 2018, the Minnesota lawful gambling industry consisted of:

<u>Licenses</u>	<u>Activities</u>
11 manufacturers.....	Sold product to licensed distributors ( <b>6,335 new games approved in FY18</b> )
9 distributors.....	Sold product to licensed lawful gambling organizations
98 distributor salespersons.....	Persons licensed to sell gambling equipment to nonprofit organizations
2 linked bingo game providers.....	Provided linked bingo games to licensed organizations
1,144 nonprofit organizations.....	Nonprofit organizations licensed to conduct gambling at permitted premises
	<u>Type of Nonprofit Organization:</u>
	# %
	Fraternal - Eagles, Moose, Elks, Knights of Columbus.....204 17.8%
	Veterans - American Legion, VFW, and auxiliaries.....310 27.1%
	Religious - Church/Cathedral.....23 2.0%
	Other nonprofit - Business/chamber/development, community, Jaycees, Lions, sportsman, hockey, fire relief, snowmobile, baseball, athletic, other..... <u>607</u> <u>53.1%</u>
	<b>Total nonprofit organizations ....1,144 100.0%</b>
1,144 gambling managers.....	Members of licensed nonprofit organizations responsible for supervising organizations' lawful gambling operations
2,804 charitable gambling sites.....	Locations in Minnesota where lawful gambling was conducted in FY18 by licensed organizations
3,408 exempt permits.....	2,336 nonprofit organizations applied for permits to conduct limited gambling of up to five days per calendar year (January 1-December 31) and conducted 3,408 activities with tax-exempt gross receipts of <b>\$46,520,758</b> (see page 7 for additional information)
591 excluded permits.....	365 nonprofit organizations applied for permits to conduct 591 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)

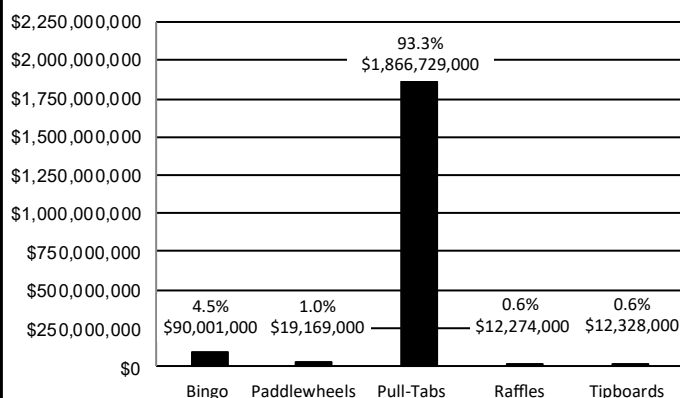
# Lawful Gambling Statistics

## 2018 Fiscal Year Sales Activity Summary\*

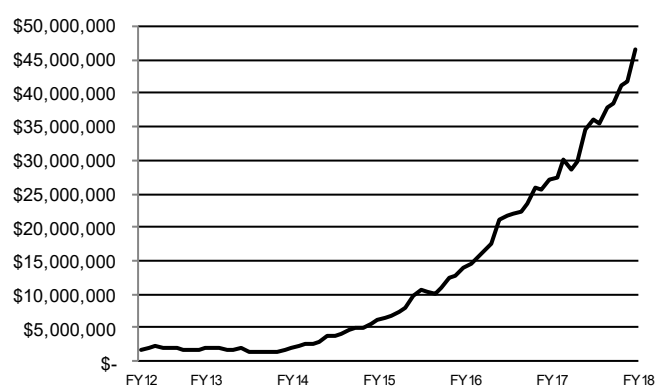
Activity	Gross Receipts (sales)			Prizes Paid		% Payout		Net Receipts (gross less prizes)		
	FY18	FY17	% Change	FY18	FY17	FY18	FY17	FY18	FY17	% Change
<b>Bingo</b>	\$90,001,000	\$77,787,000	15.7%	\$69,206,000	\$59,694,000	76.9%	76.7%	\$20,796,000	\$18,093,000	14.9%
Paper	\$74,539,000	\$70,518,000	5.7%	\$56,184,000	\$53,660,000	75.4%	76.1%	\$18,355,000	\$16,858,000	8.9%
Electronic	\$15,462,000	\$7,269,000	112.7%	\$13,022,000	\$6,035,000	84.2%	83.0%	\$2,440,000	\$1,234,000	97.7%
<b>Paddlewheels</b>	\$19,169,000	\$18,164,000	5.5%	\$13,545,000	\$12,901,000	70.7%	71.0%	\$5,624,000	\$5,263,000	6.9%
w/table	\$5,405,000	\$5,164,000	4.7%	\$4,709,000	\$4,506,000	87.1%	87.2%	\$696,000	\$657,000	5.9%
w/o table	\$13,764,000	\$13,001,000	5.9%	\$8,835,000	\$8,395,000	64.2%	64.6%	\$4,928,000	\$4,605,000	7.0%
<b>Pull-Tabs</b>	\$1,866,729,000	\$1,611,033,000	15.9%	\$1,588,098,000	\$1,365,901,000	85.1%	84.8%	\$278,631,000	\$245,132,000	13.7%
Paper	\$1,506,208,000	\$1,410,289,000	6.8%	\$1,278,951,000	\$1,193,790,000	84.9%	84.7%	\$227,257,000	\$216,498,000	5.0%
Electronic	\$360,522,000	\$200,744,000	79.6%	\$309,147,000	\$172,110,000	85.7%	85.7%	\$51,375,000	\$28,634,000	79.4%
<b>Raffles</b>	\$12,274,000	\$11,202,000	9.6%	\$5,843,000	\$5,285,000	47.6%	47.2%	\$6,430,000	\$5,917,000	8.7%
<b>Tipboards</b>	\$12,328,000	\$11,627,000	6.0%	\$9,147,000	\$8,612,000	74.2%	74.1%	\$3,180,000	\$3,016,000	5.5%
Interest	\$47,000	\$57,000	-16.6%	n/a	n/a	n/a	n/a	\$47,000	\$57,000	-16.6%
<b>Totals</b>	<b>\$2,000,548,000</b>	<b>\$1,729,870,000</b>	<b>15.6%</b>	<b>\$1,685,838,000</b>	<b>\$1,452,393,000</b>	<b>84.3%</b>	<b>84.0%</b>	<b>\$314,709,000</b>	<b>\$277,477,000</b>	<b>13.4%</b>

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

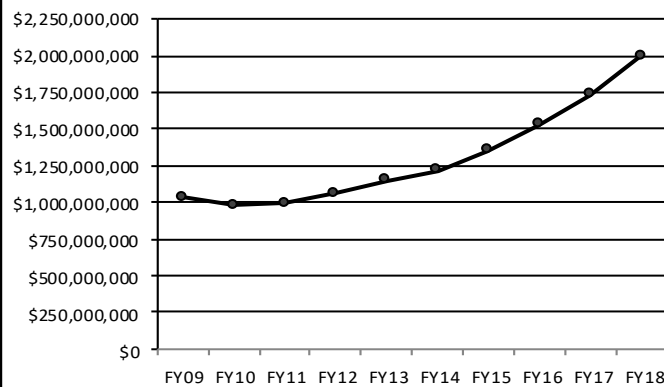
### Comparison of Gross Receipts (Sales) by Activity - FY18



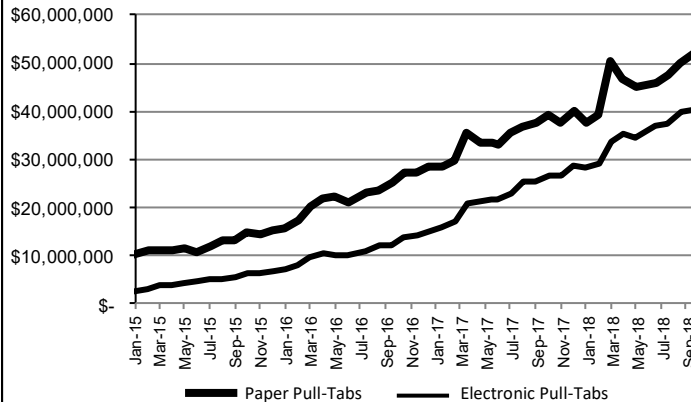
### Electronic Pull-Tab Gross Sales



### Ten-Year Comparison of Gross Receipts



### Gross Sales at Sites with Paper and Electronic Pull-Tabs



# Actual Lawful Purpose Expenditures (LPE)

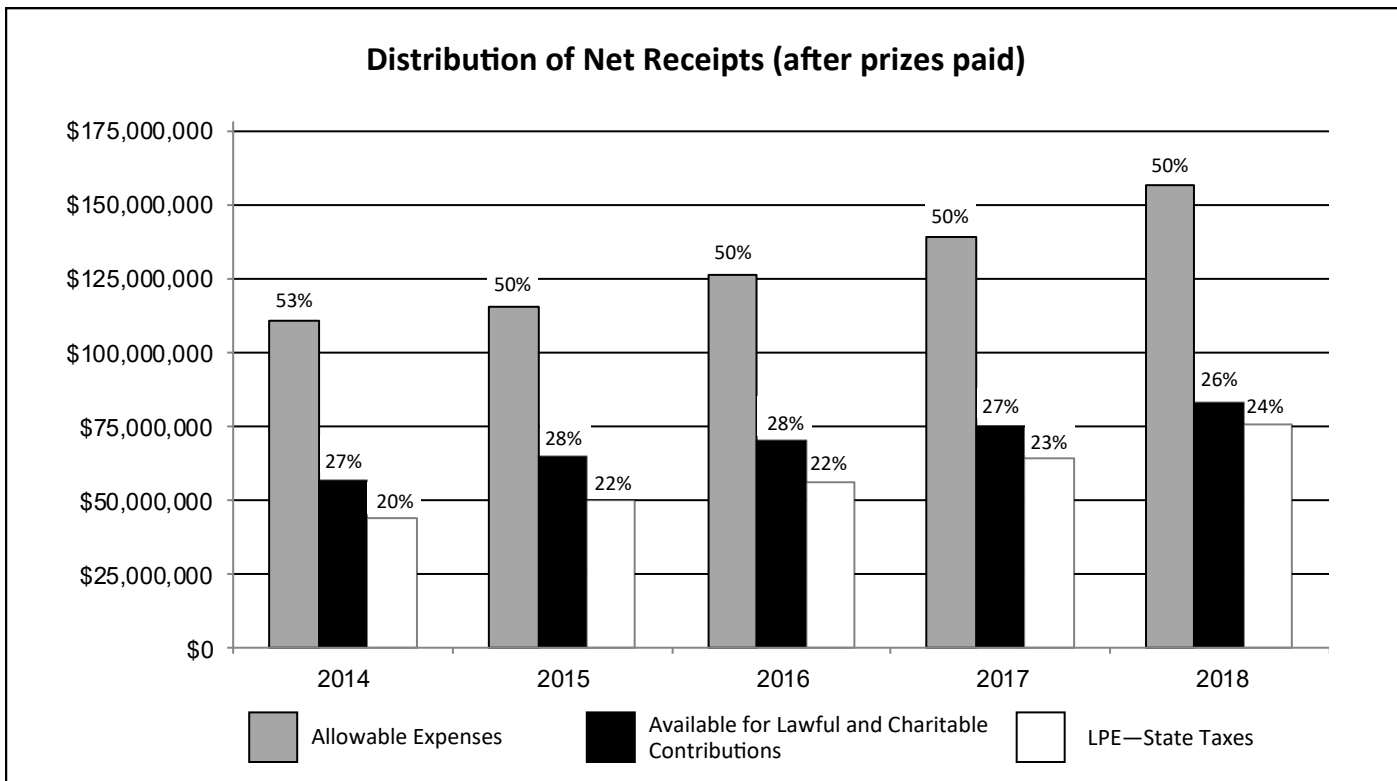
**Lawful Purpose Required Percentages.** Organizations are required to spend at least 30% of their net profits on lawful purposes, including taxes. (Exception: Organizations that conduct lawful gambling in a location where the primary business is bingo must spend 20% or more.) Failure to meet the requirement 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 (amounts are actual LPE spent in FY18):

**Actual FY18  
Lawful Purpose Expenditures\***

**\$152,285,000**

State gambling taxes .....	\$75,178,000	Recognition of military service and support of non-licensed veterans' clubs .....	\$1,967,000
Contributions to/expenditures by 501(c)(3) organizations or 501(c)(4) organizations.....	\$25,642,000	Religious purposes .....	\$899,000
Programs/projects by the United States, the state of Minnesota, or local units of government (excluding taxes) .....	\$11,597,000	Wildlife management projects, grooming and maintaining snowmobile and all-terrain vehicle trails approved by DNR, and monitoring surface water quality .....	\$805,000
Youth activities .....	\$11,083,000	Contributions to another licensed organization or parent organization with Board approval.....	\$563,000
Scholarship funds and private or public nonprofit educational institutions .....	\$4,884,000	Congregate dining, nutritional programs, or food shelves for the disabled or persons age 62 and older .....	\$281,000
Specific utility costs by licensed veterans and fraternal organizations .....	\$4,802,000	Membership events by licensed veterans organizations.....	\$212,000
Lawful gambling license & regulatory fees .....	\$3,419,000	Community arts organizations or program sponsorships .....	\$133,000
Local and federal gambling taxes .....	\$2,859,000	Recognition of humanitarian service .....	\$59,000
Relieving effects of poverty, homelessness, or disabilities .....	\$2,832,000	Compulsive gambling programs.....	\$5,000
Real estate taxes .....	\$2,623,000		
Acquisition or improvement of qualifying capital assets or real property of organization-owned buildings .....	\$2,442,000		

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



# Funds Available for LPE

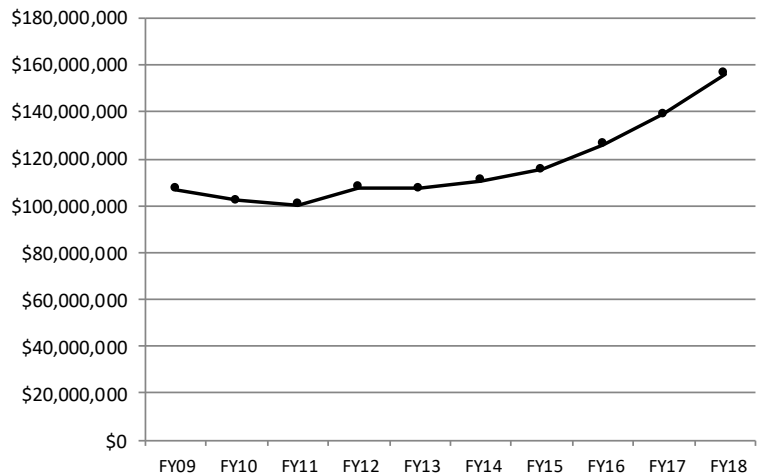
**Available** FY18 for Lawful Purpose Expenditures\* (after prizes and expenses)

**\$158,338,000**

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

\* LPE includes state gambling taxes. See page 6.

## Funds Available for LPE, 10-Year Comparison



## Breakdown of Retained Cash, All Organizations at Fiscal Year End\*

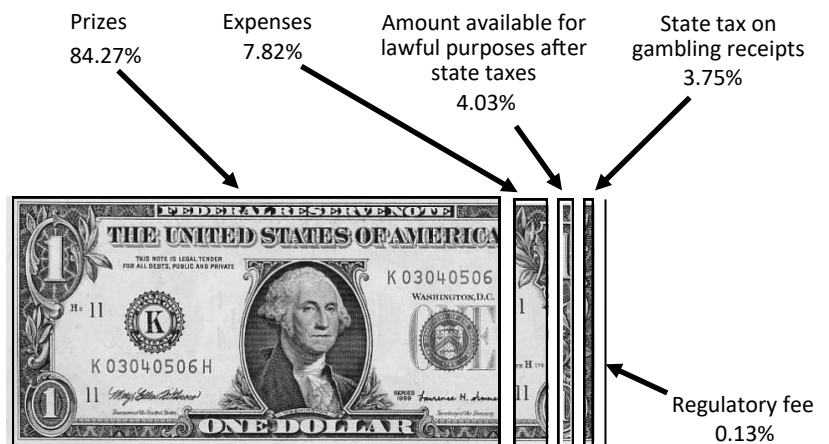
	FY14	FY15	FY16	FY17	FY18
Checking	\$27,522,100	\$31,224,483	\$32,612,178	\$34,249,274	\$38,824,771
Savings	\$4,093,452	\$3,851,346	\$3,807,342	\$3,774,688	\$3,683,683
Starting Cash Banks	\$7,455,918	\$7,954,964	\$8,786,917	\$9,765,303	\$10,852,869
Less Start-Up or Emergency Loans	(\$827,277)	(\$885,040)	(\$966,389)	(\$923,508)	(\$831,153)
<b>TOTAL</b>	<b>\$38,244,192</b>	<b>\$42,145,753</b>	<b>\$44,240,048</b>	<b>\$46,865,757</b>	<b>\$52,530,170</b>

\* Retained cash is money organizations have on hand in checking accounts, savings accounts, and starting cash banks, less start-up or emergency loans.

## Lawful Gambling Dollars — Where the Money Goes

For every dollar spent on lawful gambling in Minnesota in FY 2018, 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.



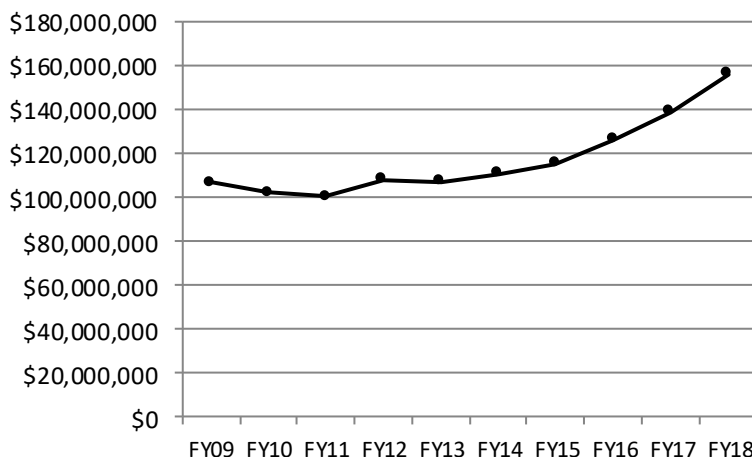
# Allowable Expenses

## Allowable Expenses Ten-Year Comparison

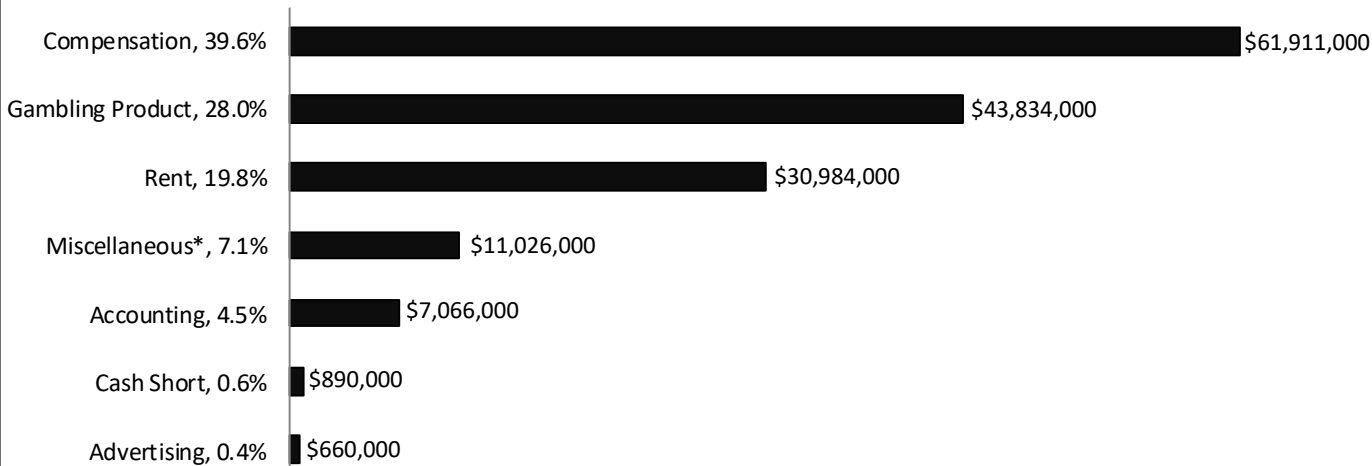
2018	\$156,371,000
2017	\$139,127,000
2016	\$126,315,000
2015	\$115,607,000
2014	\$110,695,000
2013	\$107,266,000
2012	\$107,957,000
2011	\$100,398,000
2010	\$102,167,000
2009	\$106,945,000

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.

## Allowable Expenses, 10-Year Comparison



## FY18 Allowable Expenses, by Category



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

# Understanding Lawful Gambling State Taxes

Taxes fall under the purview of the Minnesota Department of Revenue and the rates are set by the Legislature. 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 2018, 37% 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.



# Lawful Gambling State Taxes

The two state gambling taxes included as lawful purpose expenditures in FY18 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.

## FY 2018 State Gambling Taxes

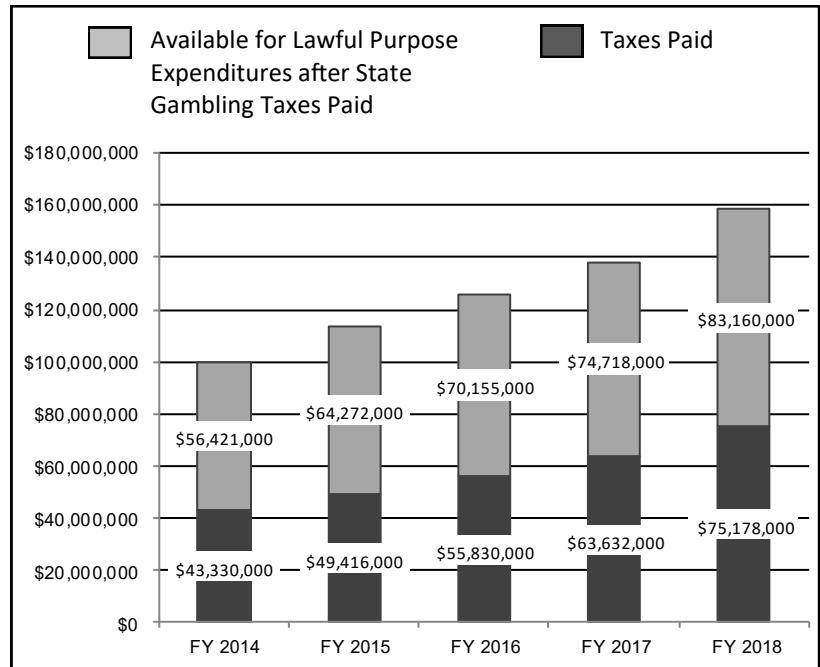
	FY 2018	FY 2017
Net receipts tax:	\$2,585,000	\$2,389,000
Combined net receipts tax:	<b>\$72,594,000</b>	<b>\$61,243,000</b>
<b>Total State Gambling Tax:</b>	<b>\$75,178,000</b>	<b>\$63,632,000</b>

## State Gambling Tax Yearly Comparison

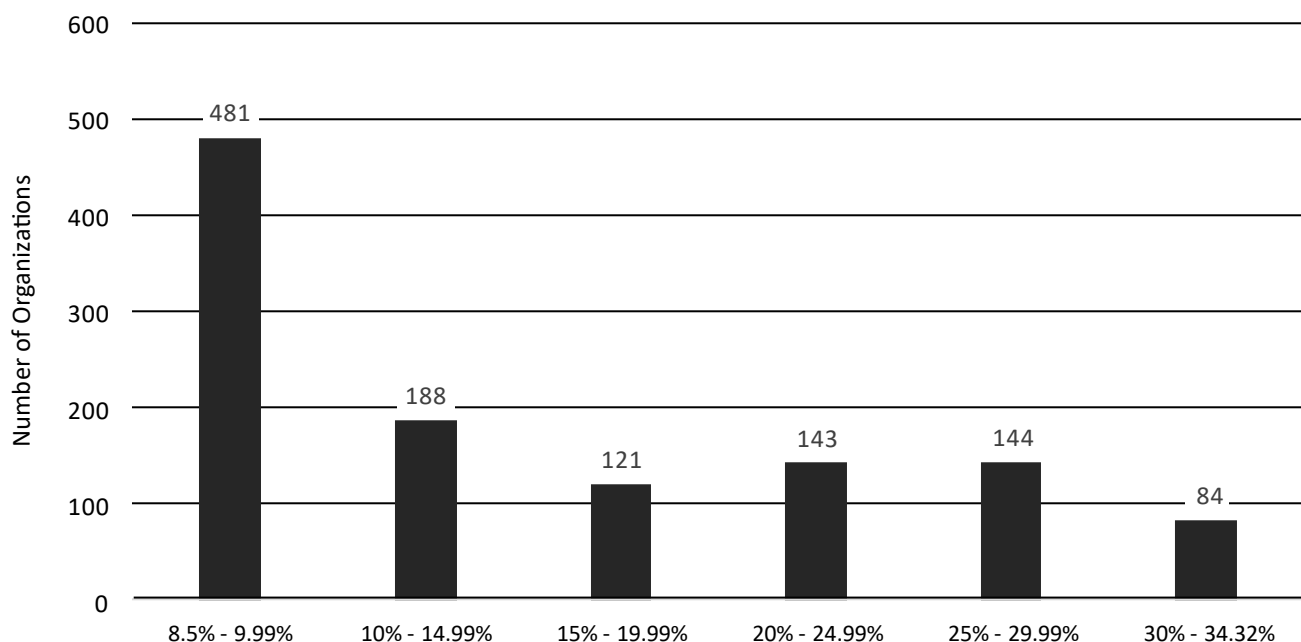
FY	Tax Paid	Net taxes as % of gross receipts	net receipts
2018	\$75,178,000	3.7%	23.8%
2017	\$63,632,000	3.7%	22.9%
2016	\$55,830,000	3.6%	22.1%
2015	\$49,416,000	3.7%	21.6%
2014	\$43,330,000	3.6%	20.6%

### Fact:

- 8.4% (98 out of 1,161) of licensed organizations pay half of all state taxes on gambling receipts.
- 91.6% (1,063 out of 1,161) pay the other half of all state taxes on gambling receipts.



## Tax Owed as a Percentage of FY 2018 Net Receipts, All Organizations



## 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 2018 2,336 nonprofit organizations applied for permits to conduct limited gambling of up to five days per calendar year and conducted **3,408 activities** with tax-exempt gross receipts of **\$46,520,758**.

<u>Tax-Exempt activity</u>	<u>Gross receipts</u>	<u>Expenses</u>	<u>Profit</u>
Raffles	\$43,639,936	\$18,405,738	\$25,234,198
Bingo	\$1,928,195	\$517,978	\$1,410,217
Pull-Tabs	\$726,413	\$508,987	\$217,426
Paddlewheel	\$171,021	\$86,842	\$84,179
Tipboards	\$55,193	\$29,622	\$25,571
<b>Tax-Exempt Totals</b>	<b>\$46,520,758</b>	<b>\$19,549,167</b>	<b>\$26,971,591</b>

## FY 2018 Top Ten Lawful Gambling Statistics

### FY 2018 Top Ten Grossing Organizations, All Lawful Gambling Activity

<u>Organization</u>	<u>Gross</u>	<u>Prizes</u>	<u>Net</u>
Merrick, Inc., Vadnais Hts.	\$28,887,631	\$24,535,496	\$4,352,135
White Bear Lake Area Hockey Association	\$19,956,710	\$16,813,433	\$3,143,277
Northwest Area Jaycees, Maple Grove	\$18,029,216	\$15,746,291	\$2,282,924
Centennial Youth Hockey Association, Circle Pines	\$16,581,085	\$14,692,864	\$1,888,220
Irving Community Association, Duluth	\$15,754,018	\$13,439,230	\$2,314,788
Eagan Hockey Association	\$15,613,172	\$13,718,966	\$1,894,206
Blaine Youth Hockey Association	\$15,027,124	\$12,686,842	\$2,340,282
Ramsey Lions Club	\$14,567,416	\$12,652,931	\$1,914,484
Climb, Inc., Inver Grove Hts.	\$14,306,392	\$12,006,902	\$2,299,490
Apple Valley Hockey Association	\$14,297,540	\$12,529,433	\$1,768,097

### FY 2018 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, Minneapolis	St. Louis Park Hockey Boosters	\$8,605,082	\$7,469,475	\$1,135,607
American Legion Post 580, Chanhassen	American Legion Post 580, Chanhassen	\$8,474,974	\$7,341,904	\$1,133,070
American Legion Post 1776, Apple Valley	American Legion Post 1776, Apple Valley	\$8,168,225	\$7,115,162	\$1,053,063
VFW Post 8731, Monticello	VFW Post 8731, Monticello	\$7,064,077	\$6,035,681	\$1,028,396
JC's Bar & Grill, Maple Grove	Northwest Area Jaycees, Maple Grove	\$6,822,669	\$5,949,465	\$873,204
Neisen's Sports Bar & Grill, Savage	German Days, Inc., Belle Plaine	\$6,549,231	\$5,718,597	\$830,632
American Legion Post 270, Buffalo	American Legion Post 270, Buffalo	\$6,358,188	\$5,595,114	\$763,074
Monte's, Spring Lake Park	Spring Lake Park Lions Club	\$6,193,776	\$5,274,634	\$919,142
Friar Tuck's Pub, Forest Lake	Forest Lake Lions Club	\$6,036,347	\$5,236,824	\$799,522
Ole Piper Inn, Blaine	Blaine Youth Hockey Association	\$5,927,149	\$4,981,059	\$946,090

### FY 2018 Top Ten Organizations, Charitable Contributions vs. Expenses

<u>Organization*</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	\$52,400.00	\$5,919.73	\$8.85
Northwest Angle Edge Riders, Angle Inlet	\$15,000.00	\$1,840.41	\$8.15
American Legion Post 464, Brewster	\$24,397.52	\$3,947.93	\$6.18
SS. Peter & Paul Church, Richmond	\$14,500.00	\$3,122.47	\$4.64
American Legion Post 118, Wayzata	\$61,862.00	\$16,332.32	\$3.79
Ducks Unlimited Frozen North Chapter 271, Garrison	\$91,004.00	\$26,545.14	\$3.43
St. Martin Commercial Club	\$33,322.70	\$12,476.38	\$2.67
Redwood Area Hockey Association, Redwood Falls	\$28,810.00	\$11,996.53	\$2.40
Janesville Rotary Club	\$22,009.89	\$9,269.65	\$2.37
Brownsville Fire Relief Association	\$39,250.00	\$16,590.62	\$2.37

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

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

Minnesota Statutes, section 349.213, subdivision 3, allows local units of government to impose an up to 3% of gross receipts lawful gambling regulatory tax on licensed lawful gambling organizations within the city's jurisdiction. A city may only impose this lawful gambling tax on licensed charities if it incurred costs to regulate lawful gambling in that calendar year. 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. Cities and counties are required to share all documents pertaining to local lawful gambling regulation with the Gambling Control Board. 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 must report to the 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 the 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 refund the contributing charities.

- In calendar year 2017, 27 cities reported collecting \$746,837 in lawful gambling tax dollars from charities.
- A total of \$65,167 was refunded to charities.
- The balance of \$1,048,690 indicates funds remaining. In CY17 and CY18, over \$475,000 of these overages has been or is being reimbursed to charities. Nine of the 27 cities imposing a 3% tax have indicated they have rescinded or are rescinding the tax imposition.

City	%	CY16 Balance	Interest	Collected	Spent	Refunded	CY17 Balance
Andover	0.10	\$0.00	\$0.00	\$1,889.21	\$1,889.21	\$0.00	\$0.00
Austin	0.50	\$538.51	\$0.00	\$4,849.48	\$4,604.05	\$0.00	\$783.94
Bloomington	0.25	\$49,954.73	\$0.00	\$11,152.14	\$1,995.90	\$0.00	\$59,110.97
Bock	3.00	\$3,495.46	\$0.00	\$1,867.51	\$0.00	\$5,362.97	\$0.00
Columbus	1.00	\$7,103.42	\$0.00	\$2,818.80	\$0.00	\$5,000.00	\$4,922.22
Duluth	3.00	\$28,231.26	\$0.00	\$61,552.87	\$30,173.00	\$0.00	\$59,611.13
East Bethel	3.00	\$0.00	\$0.00	\$35,084.26	\$35,084.26	\$0.00	\$0.00
Eden Prairie	1.00	\$21,814.17	\$0.00	\$0.00	\$0.00	\$0.00	\$21,814.17
Fridley	3.00	\$0.00	\$0.00	\$61,966.88	\$61,966.88	\$0.00	\$0.00
Jackson	1.00	\$0.00	\$0.00	\$740.03	\$0.00	\$740.03	\$0.00
Lilydale	3.00	\$5,525.00	\$0.00	\$2,000.23	\$0.00	\$7,525.23	\$0.00
Lino Lakes	0.10	\$1,181.50	\$0.00	\$0.00	\$0.00	\$1,181.50	\$0.00
Mankato	3.00	\$224,440.21		Under review			\$224,440.21
Maple Grove	0.50	\$31,812.79	\$0.00	\$14,769.00	\$8,342.44	\$0.00	\$38,239.35
Mendota	2.00	\$10,167.00	\$0.00	\$0.00	\$0.00	\$0.00	\$10,167.00
Minneapolis	3.00	\$299,561.73	\$2,636.14	\$223,745.69	\$301,653.12	\$0.00	\$224,290.44
North Mankato	3.00	\$0.00	\$0.00	\$37,703.10	\$37,703.10	\$0.00	\$0.00
Owatonna	3.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Plymouth	3.00	\$13,806.51	\$0.00	\$0.00	\$0.00	\$13,806.51	\$0.00
Roseville	3.00	\$154,455.62		Under review			\$154,455.62
Shoreview	3.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Spring Lake Park	3.00	\$0.00	\$0.00	\$50,268.39	\$33,042.00	\$17,226.39	\$0.00
St. Louis Park	3.00	\$3,564.37	\$0.00	\$8,671.24	\$0.00	\$12,235.61	\$0.00
St. Paul	2.50	\$268,572.42	\$0.00	\$195,199.53	\$112,525.02	\$0.00	\$351,246.93
Waterville	3.00	\$0.00	\$0.00	\$9,153.80	\$9,153.80	\$0.00	\$0.00
White Bear Lake	2.00	\$0.00	\$0.00	\$56,450.00	\$5,510.00	\$0.00	\$50,940.00
Worthington	1.00	\$2,088.76	\$0.00	\$4,658.06	\$1,534.48	\$2,088.76	\$3,123.58
<b>Totals</b>		<b>\$1,126,313.46</b>	<b>\$2,636.14</b>	<b>\$746,837.12</b>	<b>\$645,177.26</b>	<b>\$65,167.00</b>	<b>\$1,048,689.94</b>

\* The CY18 balance does not equal the CY17 balance plus amount collected minus amount spent/refunded. 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 2018, approximately \$9 million 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 collected 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 2017, 121 cities had balances or reported collecting lawful gambling contributions up to 10% as mandated by ordinance.
  - A total of **\$2,474,699** was contributed to cities in calendar year 2017 under the “required” contribution provision in statute.
  - Cities report an unspent balance of **\$2,619,722** as of December 31, 2017.

City	%	CY16 Balance	Interest	Collected	Spent	CY17 Balance
Afton	10%	\$84.47	\$0.00	\$411.33	\$0.00	\$495.80
Alexandria	10%	\$0.00	\$0.00	\$52,674.55	\$52,674.55	\$0.00
Andover	10%	\$79,060.52	\$1,053.73	\$63,306.98	\$68,944.00	\$74,477.23
Annandale	10%	\$10,950.80	\$11.61	\$499.87	\$0.00	\$11,462.28
Arden Hills	10%	\$0.00	\$0.00	\$23,883.80	\$100,215.16	\$0.00
Aurora	10%	\$2,661.55	\$0.00	\$11,602.68	\$5,000.00	\$9,264.33
Barnum	10%	\$766.68	\$0.00	\$2,807.58	\$1,090.00	\$2,484.26
Battle Lake	10%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Bayport	0%	\$110,470.71	\$0.00	\$19,253.22	\$44,417.69	\$85,306.24
Belle Plaine	10%	\$16,143.03	\$0.00	\$14,617.60	\$19,597.15	\$11,163.48
Bigelow	0%	\$6,118.90	\$2.47	\$1,446.66	\$2,652.98	\$6,333.17
Bigfork	10%	\$19,473.67	\$0.00	\$13,097.35	\$3,500.00	\$29,071.02
Blaine	10%	\$114,676.40	\$165.49	\$134,658.01	\$150,750.00	\$98,749.90
Bovey	10%	\$628.64	\$0.00	\$442.72	\$1,071.36	\$0.00
Bricelyn	10%	\$1,721.61	\$0.00	\$234.80	\$0.00	\$1,690.61
Brownsville	10%	\$0.00	\$0.00	\$2,074.76	\$1,389.71	\$685.05
Byron	10%	\$0.00	\$0.00	\$9,782.68	\$7,027.00	\$2,755.68
Carlton	10%	\$28,804.46	\$76.30	\$15,684.39	\$12,919.00	\$31,646.15
Chanhasen	10%	\$52,590.86	\$324.13	\$42,433.93	\$53,876.56	\$41,472.36
Chisago City	10%	\$13,272.94	\$117.16	\$7,911.88	\$10,293.09	\$11,008.89
Cloquet	1%	\$0.00	\$0.00	\$12,653.02	\$12,653.02	\$0.00
Cold Spring	10%	\$76,982.06	\$903.56	\$9,636.95	\$9,000.00	\$78,522.57
Columbus	10%	\$15,022.72	\$45.10	\$14,748.13	\$12,000.00	\$17,815.95
Coon Rapids	5%	\$26,547.78	\$758.43	\$57,967.81	\$52,171.03	\$33,102.99
Corcoran	10%	\$16,440.00	\$67.49	\$30,353.00	\$0.00	\$48,476.19
Cottage Grove	0%	\$4,457.28	\$39.00	\$0.00	\$4,496.28	\$0.00
Cromwell	10%	\$1,515.04	\$0.00	\$0.00	\$1,433.00	\$182.04
Crystal	10%	\$0.00	\$0.00	\$33,594.95	\$33,594.95	\$0.00
Darwin	10%	\$0.00		CY16 report not received		
Delavan	10%	\$11,108.80	\$0.00	\$3,701.96	\$1,250.00	\$13,560.76
Dennison	10%	\$0.00	\$0.00	\$1,028.94	\$1,870.00	\$0.00
Duluth	5%	\$41,778.00	\$0.00	\$8,298.00	\$50,076.00	\$0.00
Dundas	10%	\$0.00	\$0.00	\$6,250.18	\$6,250.18	\$0.00
Eden Prairie	0%	\$0.00		No longer requiring 10% contribution		
Effie	10%	\$2,070.24	\$0.00	\$2,502.87	\$796.83	\$3,776.28
Elgin	10%	\$10,117.88	\$0.00	\$4,532.80	\$0.00	\$14,515.28
Elko/New Market	5%	\$13,904.70	\$28.71	\$7,911.90	\$0.00	\$21,845.31
Evansville	10%	\$0.00	\$0.00	\$6,053.33	\$6,053.33	\$0.00
Eveleth	10%	\$35,672.64	\$0.00	\$9,794.90	\$2,600.00	\$42,867.54
Eyota	10%	\$23,614.38	\$4.38	\$5,910.07	\$6,275.00	\$23,253.83
Faribault	5%	\$60,702.29	\$664.36	\$26,498.82	\$29,439.64	\$58,425.83
Floodwood	10%	\$1,371.35	\$0.00	\$1,532.53	\$1,875.00	\$1,028.88
Garfield	10%	\$0.00	\$0.00	\$3,479.90	\$3,479.90	\$0.00
Gem Lake	10%	\$4,946.86	\$0.00	\$10,959.27	\$7,200.00	\$8,706.13
Ghent	10%	\$0.00	\$0.00	\$1,782.30	\$1,782.30	\$0.00
Golden Valley	10%	\$0.00	\$2,019.49	\$37,560.49	\$39,579.98	\$0.00
Gully	10%	\$2,249.99	\$3.73	\$2,762.39	\$0.00	\$5,016.11
Ham Lake	10%	\$28,469.21	\$254.32	\$22,735.92	\$25,000.00	\$26,459.45
Hampton	10%	\$0.00	\$0.00	\$1,350.32	\$1,350.32	\$0.00
Hanska	10%	\$10,443.57	\$0.00	\$7,257.35	\$2,112.00	\$15,588.92
Hawley	10%	\$6,484.15	\$3.25	\$0.00	\$0.00	\$6,487.40
Hewitt	10%	\$163.42	\$0.21	\$1,270.22	\$350.00	\$1,083.85
Hokah	10%	\$6,136.31	\$0.00	\$2,536.93	\$0.00	\$8,673.24

City	%	CY16 Balance	Interest	Collected	Spent	CY17 Balance
Hollandale	10%	\$0.00	\$0.00	\$610.30	\$610.30	\$0.00
Independence	10%	\$0.00	\$0.00	\$957.58	\$957.58	\$0.00
Kasota	10%	\$8,255.00	\$0.00	\$5,137.00	\$0.00	\$13,392.00
Kerkhoven	10%	\$884.46	\$3.22	\$0.00	\$0.00	\$887.68
Kettle River	10%	\$730.71	\$0.00	\$1,462.75	\$175.00	\$2,018.46
Kilkenny	10%	\$2,677.38		CY17 report not received		\$2,677.38
Lake St. Croix Beach	10%	\$4,064.82	\$12.75	\$1,949.71	\$0.00	\$6,027.28
Lakeland	10%	\$0.00	\$0.00	\$2,693.62	\$0.00	\$15,720.13
Lakeland Shores	10%	\$363.83	\$4.06	\$587.32	\$0.00	\$955.21
LaPrairie	10%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Lexington	10%	\$73,031.34	\$0.00	\$19,026.90	\$0.00	\$92,058.24
Lilydale	10%	\$0.00	\$0.00	\$1,639.88	\$1,639.88	\$0.00
Little Canada	10%	\$121,185.25	\$2,727.85	\$34,632.60	\$23,816.30	\$134,729.40
Long Beach	10%	\$7,029.83	\$0.00	\$4,390.17	\$450.00	\$10,970.00
Long Lake	10%	\$6,345.93	\$38.00	\$2,495.00	\$1,599.00	\$7,971.00
Madison Lake	10%	\$2,441.49	\$0.00	\$2,209.31	\$500.00	\$4,150.80
Mahtomedi	10%	\$41,404.91	\$377.77	\$12,278.50	\$14,344.00	\$39,717.18
Maple Grove	10%	\$333,572.32	\$6,941.39	\$100,540.00	\$58,622.63	\$382,431.08
Mapleview	10%	\$19,664.45	\$5.00	\$5,809.44	\$0.00	\$25,478.89
Maplewood	10%	\$11,718.06	\$0.00	\$34,654.00	\$26,474.36	\$19,897.70
Mayer	10%	\$0.00	\$0.00	\$6,852.00	\$6,852.00	\$0.00
Mendota	10%	\$0.00	\$0.00	\$7,163.01	\$7,163.01	\$0.00
Milaca	10%	\$33,790.00	\$574.00	\$27,231.00	\$33,417.00	\$28,178.00
Millville	10%	\$20,354.53	\$0.00	\$3,068.33	\$4,370.70	\$19,052.16
Minneapolis	10%	\$87,756.12	\$0.00	\$60,453.94	\$48,244.31	\$99,965.75
Motley	10%	\$29,083.11	\$0.00	\$5,854.18	\$3,738.44	\$31,198.85
Mountain Iron	10%	\$9,009.01	\$4.96	\$3,281.28	\$4,645.00	\$5,818.61
Myrtle	10%	\$5,634.98	\$0.00	\$7,172.20	\$2,107.01	\$10,700.17
New Hope	10%	\$0.00	\$0.00	\$9,208.59	\$9,208.59	\$0.00
Newport	10%	\$1,058.73	\$0.00	\$4,702.88	\$3,256.64	\$2,504.97
North Mankato	10%	\$412.83	\$0.00	\$27,100.04	\$15,500.00	\$12,676.50
Oak Grove	10%	\$19,081.52	\$132.62	\$3,595.56	\$0.00	\$22,809.70
Oakdale	10%	\$45,437.11	\$664.56	\$42,140.06	\$32,500.00	\$55,741.73
Otsego	10%	\$0.00	\$0.00	\$5,080.07	\$5,080.07	\$0.00
Plymouth	10%	\$0.00	\$241.90	\$53,184.03	\$53,425.93	\$0.00
Proctor	10%	\$12,406.19	\$0.00	\$50.97	\$0.00	\$12,457.16
Ramsey	5%	\$140,583.19	\$2,164.36	\$66,703.86	\$24,365.00	\$185,086.41
Randolph	10%	\$0.00	\$0.00	\$2,565.22	\$2,565.22	\$0.00
Rockford	10%	\$1,590.00	\$0.00	\$26,400.00	\$17,590.00	\$10,400.00
Rose Creek	10%	\$8,424.89	\$19.43	\$3,894.13	\$0.00	\$12,338.45
Roseville	10%	\$56,837.06		Under review		\$56,837.06
Scanlon	10%	\$9,236.16	\$22.70	\$4,282.39	\$0.00	\$12,978.88
Sedan	10%	\$1,678.76		CY17 report not received		\$1,678.76
Shafer	5%	\$35,664.07	\$123.60	\$10,254.03	\$46,041.70	\$0.00
Sherburn	10%	\$2,764.91	\$0.00	\$1,842.68	\$2,836.00	\$1,771.59
Shoreview	10%	\$0.00	\$0.00	\$2,071.65	\$2,071.65	\$0.00
Slayton	10%	\$0.00	\$0.00	\$2,128.56	\$2,128.56	\$0.00
Spicer	1%	\$31,729.00	\$0.00	\$4,719.00	\$0.00	\$36,448.00
Spring Valley	10%	\$12,554.69	\$54.53	\$8,583.50	\$0.00	\$21,192.72
St. Francis	10%	\$47,431.43	\$561.59	\$15,049.56	\$4,000.00	\$59,042.58
St. Louis Park	10%	\$1,408.95	\$0.00	\$0.00	\$0.00	\$1,408.95
St. Martin	10%	\$859.44	\$0.00	\$1,572.91	\$1,791.32	\$641.03
St. Paul	10%	\$4,052.05	\$125.14	\$10,772.95	\$0.00	\$13,231.65
Stockton	10%	\$0.00	\$0.00	\$1,100.00	\$1,750.00	\$0.00
Taylor Falls	10%	\$937.80	\$0.00	\$1,916.25	\$1,619.94	\$1,234.11
Tower	10%	\$0.00	\$0.00	\$2,277.85	\$2,277.85	\$0.00
Utica	10%	\$0.00	\$0.00	\$2,425.00	\$2,425.00	\$0.00
Vadnais Heights	10%	\$67,316.05	\$0.00	\$23,594.85	\$22,375.30	\$62,990.22
Vergas	10%	\$4,291.67	\$0.00	\$5,316.77	\$6,366.00	\$3,242.44
Victoria	10%	\$130,461.00	\$1,148.20	\$0.00	\$52,718.00	\$78,891.20
Wahkon	10%	\$6,203.12	\$0.00	\$8,223.08	\$4,059.23	\$10,366.97
Waite Park	10%	\$66,639.77	\$68.51	\$56,913.50	\$43,261.63	\$80,360.15
Waterville	10%	\$3,008.24	\$0.00	\$3,313.28	\$3,313.28	\$0.00
Waverly	10%	\$4,886.39	\$0.00	\$4,745.81	\$9,632.20	\$0.00
Wilton	10%	\$0.00	\$0.00	\$1,197.27	\$1,197.27	\$0.00
Winnebago	10%	\$2,825.62	\$0.00	\$4,024.72	\$5,800.00	\$1,050.34
Winsted	5%	\$0.00	\$0.00	\$5,000.00	\$5,000.00	\$0.00
Wrenshall	10%	\$4,765.83	\$2.36	\$1,341.59	\$0.00	\$6,109.78
Wyoming	10%	\$69,083.54	\$0.00	\$16,167.30	\$30,471.25	\$54,779.59
<b>Totals</b>		<b>\$2,474,699.26</b>	<b>\$22,561.42</b>	<b>\$1,547,099.97</b>	<b>\$1,502,461.16</b>	<b>\$2,619,721.91</b>

# Accomplishing the Board's Mission

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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. Staff performs many tasks to accomplish this mission, starting with an in-depth license application process and continuing with regulation, education, and helping guide lawful gambling organizations with their operations. As a regulatory agency, the Board's role is to ensure that the licensed charities control their operations. 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.** Gambling managers are required to take one continuing education course each calendar year. Traditional in-person classes are conducted at various locations throughout the state free of charge and are open to the public. Online continuing education courses are also offered ([www.mn.gov/gcb](http://www.mn.gov/gcb), Education tab), and are free of charge.

In addition to gambling managers, organizations' chief executive officers, members, and employees are welcome to take advantage of the continuing education opportunities.

During fiscal year 2018, there were 53 continuing education classes provided, 20 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, 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.

## **Publications 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

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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	6/16 to 6/20
Geno Fragnito, Vice Chair, Woodbury	Governor	7/18 to 6/22
Kenneth Koch, Eagan	Governor	7/17 to 6/21
William Gillespie, Secretary, St. Paul	Attorney General	9/15 to 6/19
Norman Pint, New Prague	Public Safety	7/15 to 6/19
James Nardone, Grand Rapids	Governor	8/16 to 6/20
Beth Pinkney, Woodbury	Governor	7/18 to 6/22

## Statutes and Rules

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**Legislative Changes:** There were no legislative changes affecting lawful gambling during the 2018 legislative session. Previous years' summaries can be found at [mn.gov/gcb](http://mn.gov/gcb) under Reports & Legislation.

**Rule Changes:** There were no rules changes affecting lawful gambling during FY 2018.

In May 2018, the U.S. Supreme Court decided in favor of legalized sports betting. Sports-themed tipboards have been allowed by law in Minnesota since 2012 (Minnesota Statutes, Section 349.12, subdivision 34). However, because federal law prohibited the wagering on the outcome of sporting events, the Minnesota Gambling Control Board held off on approving any sports tipboard games. With the U.S. Supreme Court decision in favor of legalized sports betting, sports tipboards can move forward in Minnesota. Language on how sports-themed tipboards would work in Minnesota is being included in an upcoming rules process.

Information on the Board's rules docket, the current rules process, 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**

**Roseville, MN 55113**

**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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