

**Table of Contents**  
**Gambling Control Board**

|  |   |
|--|---|
| <i>Agency Profile</i> .....                                  | 1 |
| Agency Expenditure Overview .....                            | 3 |
| Agency Financing by Fund .....                               | 4 |
| Agency Change Summary .....                                  | 5 |
| <b><u>Change Item(s)</u></b> .....                           | 6 |
| <i>Staffing, Rent, Travel and Employee Development</i> ..... | 6 |

**AT A GLANCE**

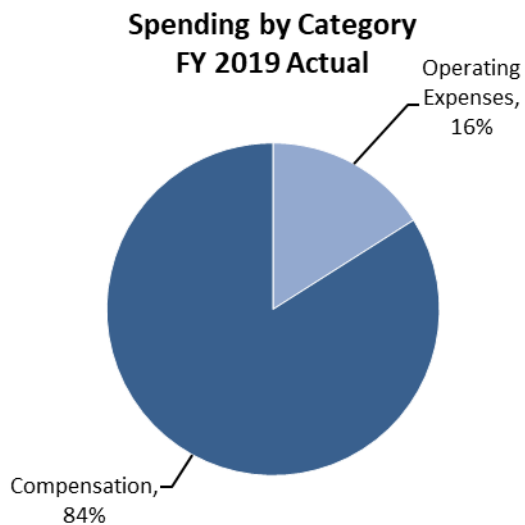
- Minnesota ranks #1 in the U.S. for charitable gambling
- Lawful gambling FY20 gross receipts totaled \$2.08 billion and \$315 million in net profits
- Lawful gambling spent \$147 million on in-state wages, corporate income and rent
- Licensed organizations netted \$66 million to support their missions in FY 20
- Minnesota charitable gambling generated \$78 million in FY20 to the state general fund in taxes
- 5,593 new games tested and approved in FY 2020 (despite being closed for 2 months)
- Regulated 1,144 licensed charitable organizations operating at 2,783 sites
- Issued 2,720 tax-exempt permits generating an additional \$38 million in tax-exempt receipts for FY 20
- Conducted 1137 account verification reviews, in addition to compliance reviews/site inspections that led to \$31,800 in sanctions through citations (105) and Compliance Review Group (CRG) referrals (19).
- For every dollar wagered on charitable gambling in Minnesota (over \$2 billion per year), less than \$.002 goes to fund the Gambling Control Board’s regulation of lawful gambling

**PURPOSE**

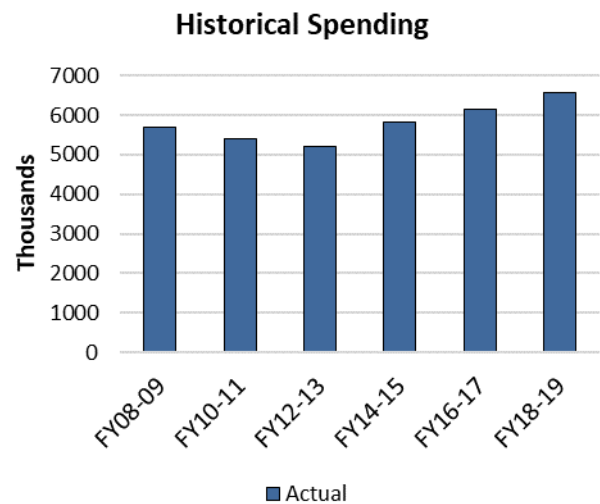
The Gambling Control Board regulates the lawful (charitable) gambling industry to ensure the integrity of operations and provide for the lawful use of net profits. Lawful gambling in Minnesota includes bingo, raffles, pull-tabs, tipboards, and paddlewheels. Required accountability and reporting by registered nonprofit organizations ensures proceeds are used for appropriate charitable needs to provide:

- Support for Minnesota veterans and their families
- Reduced costs for youth activities
- Fire and safety equipment for local communities
- Educational and training opportunities for religious and community programs
- Support for local units of government and community projects
- Support for wildlife and natural resources programs
- Support for fraternal groups (Eagles, Moose, Elks, Knights of Columbus)
- Support for clubs including Lions, Jaycees, rod and gun, sports and snowmobile

**BUDGET**



Source: Budget Planning & Analysis System (BPAS)



Source: Consolidated Fund Statement

The Gambling Control Board is entirely funded by the industry regulated. All fees collected go into the dedicated lawful gambling regulatory account. License fees are collected from manufacturers, distributors, distributor salespersons, and linked bingo providers. Manufacturers also pay for game approval and testing. Nonprofit organizations conducting gambling pay license and permit fees along with a regulatory fee based on gross sales. In FY 2020 a total of \$4,427,215 was collected by the state.

### STRATEGIES

The board consists of seven citizens and 31 full-time equivalent staff. Regulation, education and guidance are provided to the lawful gambling industry through:

- Monthly board meetings to consider games and licenses and to approve special use of gambling funds
- Issuing licenses and permits for nonprofit organizations, distributors, manufacturers and linked bingo providers
- Compliance reviews and audits of nonprofit organizations’ gambling activities
- Analyzing expenditures and charitable donations reported monthly by licensed organizations
- An individualized mentoring program for nonprofit organizations to ensure compliance with statute
- Investigations for theft and fraud by inspecting gambling products and sites, investigating irregularities found during compliance reviews and responding to allegations made by players
- Sanctions or fines on licensees that are out of compliance with law and rules
- Monthly gambling manager seminars, continuing education classes, and presentations at state-level conventions
- Publication of Lawful Gambling Manual, quarterly industry newsletter, and other materials
- A comprehensive website including all required forms, records, and reports

### RESULTS

| <i>Type of Measure</i> | <i>Name of Measure</i>   | <i>Previous</i>         | <i>Current</i>          | <i>Dates</i> |
|------------------------|--|-------------------------|-------------------------|--------------|
| Quantity               | Lawful Gambling Gross Receipts-Taxed   | \$2,333,086,000         | \$2,081,685,106         | 2019/2020    |
| Quantity               | Number of sites where gambling is conducted by 1,144 licensed nonprofit organizations  | 2,836                   | 2,783                   | 2019/2020    |
| Quantity               | Number of sites where electronic games are played  | 1,439                   | 1,472                   | 2019/2020    |
| Quantity               | Tax exempt permits issued to nonprofit organizations that conduct fewer than 5 events with less than \$50,000 in prizes during the year (gross receipts) | 3,456<br>(\$47,837,338) | 2,720<br>(\$38,205,627) | 2019/2020    |
| Quantity               | Gambling products reviewed   | 6,235                   | 5,593                   | 2019/2020    |

---

Minnesota Statutes, Chapter 349 (<https://www.revisor.mn.gov/statutes/?id=349>) provides legal authority for the Gambling Control Board.

(Dollars in Thousands)

|                                      | Actual<br>FY18 | Actual<br>FY19 | Actual<br>FY20 | Estimate<br>FY21 | Forecast Base<br>FY22 FY23 |              | Governor's<br>Recommendation<br>FY22 FY23 |              |
|--------------------------------------|----------------|----------------|----------------|------------------|----------------------------|--------------|---|--------------|
| <b><u>Expenditures by Fund</u></b>   |                |                |                |                  |                            |              |   |              |
| 2000 - Restrict Misc Special Revenue | 3,266          | 3,289          | 3,368          | 3,576            | 3,472                      | 3,472        | 4,863                                     | 4,863        |
| <b>Total</b>                         | <b>3,266</b>   | <b>3,289</b>   | <b>3,368</b>   | <b>3,576</b>     | <b>3,472</b>               | <b>3,472</b> | <b>4,863</b>                              | <b>4,863</b> |
| Biennial Change                      |                |                |                | 389              |                            | 0            |   | 2,782        |
| Biennial % Change                    |                |                |                | 6                |                            | (0)          |   | 40           |
| Governor's Change from Base          |                |                |                |                  |                            |              |   | 2,782        |
| Governor's % Change from Base        |                |                |                |                  |                            |              |   | 40           |

**Expenditures by Program**

|                         |              |              |              |              |              |              |              |              |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Lawful Gambling Control | 3,266        | 3,289        | 3,368        | 3,576        | 3,472        | 3,472        | 4,863        | 4,863        |
| <b>Total</b>            | <b>3,266</b> | <b>3,289</b> | <b>3,368</b> | <b>3,576</b> | <b>3,472</b> | <b>3,472</b> | <b>4,863</b> | <b>4,863</b> |

**Expenditures by Category**

|                              |              |              |              |              |              |              |              |              |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Compensation                 | 2,813        | 2,754        | 2,885        | 3,026        | 2,986        | 2,986        | 4,244        | 4,244        |
| Operating Expenses           | 452          | 531          | 462          | 538          | 474          | 474          | 607          | 607          |
| Capital Outlay-Real Property |              |              | 1            | 6            | 6            | 6            | 6            | 6            |
| Other Financial Transaction  | 2            | 4            | 20           | 6            | 6            | 6            | 6            | 6            |
| <b>Total</b>                 | <b>3,266</b> | <b>3,289</b> | <b>3,368</b> | <b>3,576</b> | <b>3,472</b> | <b>3,472</b> | <b>4,863</b> | <b>4,863</b> |

**Full-Time Equivalents**

|  |       |       |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|-------|
|  | 31.32 | 30.47 | 30.62 | 30.62 | 30.62 | 30.62 | 43.62 | 43.62 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|

(Dollars in Thousands)

|   | Actual<br>FY18 | Actual<br>FY19 | Actual<br>FY20 | Estimate<br>FY21 | Forecast Base<br>FY22 FY23 |              | Governor's<br>Recommendation<br>FY22 FY23 |              |
|---|----------------|----------------|----------------|------------------|----------------------------|--------------|---|--------------|
| <b>2000 - Restrict Misc Special Revenue</b> |                |                |                |                  |                            |              |   |              |
| Balance Forward In                          |                | 156            |                | 104              |                            |              |   |              |
| Direct Appropriation                        | 3,422          | 3,457          | 3,472          | 3,472            | 3,472                      | 3,472        | 4,863                                     | 4,863        |
| Cancellations                               |                | 324            |                |                  |                            |              |   |              |
| Balance Forward Out                         | 156            |                | 104            |                  |                            |              |   |              |
| <b>Expenditures</b>                         | <b>3,266</b>   | <b>3,289</b>   | <b>3,368</b>   | <b>3,576</b>     | <b>3,472</b>               | <b>3,472</b> | <b>4,863</b>                              | <b>4,863</b> |
| Biennial Change in Expenditures             |                |                |                | 389              |                            | 0            |   | 2,782        |
| Biennial % Change in Expenditures           |                |                |                | 6                |                            | (0)          |   | 40           |
| Governor's Change from Base                 |                |                |                |                  |                            |              |   | 2,782        |
| Governor's % Change from Base               |                |                |                |                  |                            |              |   | 40           |
| Full-Time Equivalents                       | 31.32          | 30.47          | 30.62          | 30.62            | 30.62                      | 30.62        | 43.62                                     | 43.62        |

(Dollars in Thousands)

|   | FY21         | FY22         | FY23         | Biennium<br>2022-23 |
|---|--------------|--------------|--------------|---------------------|
| <b>Direct</b>                                     |              |              |              |                     |
| <b>Fund: 2000 - Restrict Misc Special Revenue</b> |              |              |              |                     |
| FY2021 Appropriations                             | 3,472        | 3,472        | 3,472        | 6,944               |
| Forecast Base                                     | 3,472        | 3,472        | 3,472        | 6,944               |
| <b>Change Items</b>                               |              |              |              |                     |
| Staffing, Rent, Travel and Employee Development   |              | 1,391        | 1,391        | 2,782               |
| <b>Total Governor's Recommendations</b>           | <b>3,472</b> | <b>4,863</b> | <b>4,863</b> | <b>9,726</b>        |
| <b>Revenue Change Summary</b>                     |              |              |              |                     |
| <b>Non-Dedicated</b>                              |              |              |              |                     |
| <b>Fund: 1000 - General</b>                       |              |              |              |                     |
| Forecast Revenues                                 | 50           | 50           | 50           | 100                 |
| <b>Total Governor's Recommendations</b>           | <b>50</b>    | <b>50</b>    | <b>50</b>    | <b>100</b>          |
| <b>Fund: 2000 - Restrict Misc Special Revenue</b> |              |              |              |                     |
| Forecast Revenues                                 | 1,825        | 1,825        | 1,825        | 3,650               |
| <b>Total Governor's Recommendations</b>           | <b>1,825</b> | <b>1,825</b> | <b>1,825</b> | <b>3,650</b>        |

# Gambling Control Board

## FY 2022-23 Biennial Budget Change Item

### Change Item Title: Staffing, Rent, Travel and Employee Development

| Fiscal Impact (\$000s)                           | FY 2022   | FY 2023   | FY 2024   | FY 2025   |
|--|-----------|-----------|-----------|-----------|
| General Fund                                     |           |           |           |           |
| Expenditures                                     | 0         | 0         | 0         | 0         |
| Revenues   | 0         | 0         | 0         | 0         |
| Other Funds                                      |           |           |           |           |
| Expenditures                                     | 1,391     | 1,391     | 1,391     | 1,391     |
| Revenues   | 0         | 0         | 0         | 0         |
| Net Fiscal Impact =<br>(Expenditures – Revenues) | 1,391     | 1,391     | 1,391     | 1,391     |
| <b>FTEs</b>                                      | <b>13</b> | <b>13</b> | <b>13</b> | <b>13</b> |

#### Recommendation:

The Governor recommends \$1.391 million each year from the gambling regulation account in the special revenue fund to enable the Gambling Control Board to continue to provide adequate oversight of the growing industry. It includes additional funding for the following areas: staff (\$1,258,000), rent (\$8,000), travel (\$100,000), and employee development (\$25,000). This budget recommendation for a 40% operating increase is for significantly less than the gambling industry’s percentage growth as described below, and it stays within the Board’s annual self-funded receipts.

#### Rationale/Background:

Since the authorization of electronic gambling in FY 2012, the Board has seen growth in both the Minnesota charitable gambling industry and the complexity of regulating this industry. After nine straight years of industry growth, Minnesota’s charitable gambling industry exceeded \$2.3 billion in FY 2019, more than doubling FY 2012 levels. Consistent with the industry’s steady growth over this last decade, sales are on track to exceed \$2.7 billion in FY 2021. Minnesota’s electronic gambling sales started at approximately \$16 million in FY 2013. From that start, electronic gambling reached approximately \$620 million in FY 2019 and is on track to exceed \$1.2 billion based on the first three months of FY 2021. During this same timeframe, paper gambling sales grew at a smaller but steady pace. However, the Board has not seen a corresponding increase in staffing or operational expenses to ensure regulatory compliance with all applicable Minnesota statutes and rules.

In FY 2004, the Minnesota Legislature changed the Board’s funding from the general fund to self-funding based on the collection of industry fees. There was a general expectation that the Board would modify its annual expenditures to mirror the industry it regulates. Although the Legislature moved the Board to self-funding in FY 2004, the Board’s biennial budget has not kept pace with the industry’s growth, and it has been limited to amounts that are specifically appropriated in legislation. When electronic gambling was introduced in FY 2013, the Legislature raised the Board’s authorized appropriations in anticipation of those electronic sales. Since the industry fees from electronic sales did not grow as fast as anticipated, the Board spent less than what was appropriated. Now, with sales growth, electronic gambling has proven sustainable. The Board realized a steady decrease in the ratio of Board expenditures to annual industry gross receipts from a ratio of .24% in FY 2012 (\$2.5 million expenditures to \$1 billion gross receipts) to .14% in FY 2019 (\$3.3 million expenditures to \$2.3 billion gross receipts).

This Board budget increase recommendation attempts to realign the Board's budget as the Legislature intended to correspond with the increased need of the industry it regulates. This biennial budget recommendation comes at the appropriate time to fund the Board's ability and need for more frequent site inspections and compliance audits.

**Proposal:**

The \$1,391,000 recommended for staffing and operational expenses will support an additional 13 FTE positions that increase the total compliance specialist staff from 13 to 19, total licensing specialist staff from 4 to 5, total investigations field auditors from 2 to 6, and administrative staff from 2 to 4, a 40% increase in staff to correspond with the nearly 200% increase in cash receipts and lawful purpose expenditures. This recommendation for 13 FTE additional staff corresponds to the increased size and complexity of the industry.

The funds for rent appropriated in the FY 2020-21 biennial budget do not cover the actual costs for renting the main offices in Roseville and the three regional offices in the other three corners of Minnesota. In August, the Board vacated its Mankato office space. The Board continues to work with the Department of Administration to secure new Mankato rental office space, but the total combined rent will require an additional \$8,000 to cover the collective rent increases, including reestablishing the Mankato office space.

The \$100,000 portion of the budget increase recommendation correlates directly to the Board investigations department field auditors travel expenses to focus exclusively on inspecting permitted premises throughout the state. Each field auditor will spend approximately \$17,000 on travel expenses each year. For the six field auditors, this recommendation includes \$100,000 to cover those additional travel expenses to increase the Board's regulatory presence throughout Minnesota.

Historically, the Board has not offered either loan reimbursements or tuition assistance to its staff. The \$25,000 budget increase recommendation for employee development covers the Board's goal of providing employees with continued education opportunities in line with their respective individual development plans (IDPs). The Board is in the process of getting approval from the Management & Budget Department to offer Board employees both the student loan reimbursements as detailed in those several applicable Minnesota State Government labor union contracts, as well as tuition assistance for educational opportunities in line with their IDPs. Both these employee development costs are not currently in the Board's FY 2020-21 budget, so they are added to the total recommendation amount.

**Impact on Children and Families:**

Charitable gambling was designed to give non-profit organizations an additional option in which they could raise money for their missions. 27% of licensed organizations are veteran organizations, 16% are focused on youth sports and activities, while many other licensed organizational missions support underserved populations in our communities. In FY 2019, Minnesota charitable gambling generated over \$34 million for the benefit of children and families. \$34 million represents the cumulative total of \$3,242,017 for mission related youth activities, \$7,594,446 for youth hockey, \$16,160,468 donated to other organizations for youth activities, \$4,426,000 for scholarship funds and public/private educational institutions, and \$3,045,000 for the relief of poverty, homelessness and disability.



**Equity and Inclusion:**

Although a large portion of charitable gambling funds are used to support veterans, children, and people with disabilities, organizations specifically serving people of color or people in the LGBTQ community are underrepresented. A substantial outreach program is needed to correct this discrepancy. Protecting the integrity of charitable gambling has consumed all the agency's resources; however, the Board recently established an Outreach and Education committee made up of appointed Board members to address this underrepresentation. An increase in funding will allow the Board to identify and mentor underrepresented groups so that they too can use charitable gambling to raise funds for their communities. Once there are several successful sustainable gambling operations both led by and serving the underrepresented communities, these organizations will serve as a model for other organizations within those communities to benefit from Minnesota's charitable gambling.

**Results:**

This proposal is intended to allow the Gambling Control Board to continue to provide current levels of service and information to the public.