Annual Report

Minnesota Gambling Control Board Fiscal Year 2023 July 1, 2022—June 30, 2023



FY23 Gambling Control Board Annual Report

Summary and Highlights

November 10, 2023

The Minnesota Gambling Control Board provides the resources and regulation needed to make Minnesota's lawful (charitable) gambling industry successful. We ensure the integrity of operations, create educational and outreach materials, and confirm that net profits are used to support Minnesota nonprofit organizations and their missions. This report summarizes the lawful gambling activity from paper and electronic pull-tabs, paper and electronic bingo, raffles, paddlewheels, and tipboards for fiscal year 2023 (FY23), beginning July 1, 2022, and ending June 30, 2023.

Highlights:

- FY23 gross receipts (total sales) totaled \$4.6 billion a record high. This is a 7.5% increase from FY22 and a 48.1% increase from FY21. Minnesota's lawful gambling gross receipts have increased 275% over the past ten years.
- Net profit (total sales minus prizes and allowable expenses) totaled \$330 million, a 1.5% increase from FY22 and a 231% increase for the past decade.
- Licensed and exempt nonprofit organizations used lawful gambling to raise approximately \$157 million for their charitable missions.
- State taxes paid on lawful gambling receipts totaled \$193 million, a 7.2% increase over FY22.
- Pull-tabs made up 96% of total sales (paper pull-tabs 44.7% and electronic pull-tabs 51.1%). For the first time, electronic pull-tab gross receipts surpassed paper pull-tab gross receipts.
- Pull-tab gross receipts (paper and electronic) increased 7.9% in FY23, while gross receipts for all other forms of lawful gambling increased 8.9%.
- Paper bingo gross receipts totaled \$79 million, a 3.7 % increase from FY22, while electronic linked bingo gross receipts totaled \$64 million, a 16% increase from FY22.
- As of June 30, 2023, there were 1,144 licensed organizations conducting lawful gambling at 3,026 locations throughout Minnesota. The number of organizations and locations has remained relatively constant over the past five years.
- As of June 30, 2023, the Gambling Control Board had a staff of 41 employees. Twenty-nine were based at the agency's central office in Roseville, and 12 employees were based at the agency's regional offices in Fergus Falls, Hibbing, and Mankato.

The Gambling Control Board and staff continue to diligently provide the oversight, regulation, and outreach needed to keep this multibillion-dollar industry successful.

Respectfully submitted,

anet Lorenzo

Janet Lorenzo Board Chair

Tim Mahoney

Tim Mahoney Executive Director

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Agency Statement of Receipts and Expenditures

Regulatory fees		\$6,690,742
	Total Gambling Control Board fees collected ²	
Legislative appropriation		\$6,365,000
Expenditures		\$5,210,261
	Unused appropriation returned to dedicated account	\$1,230,865

Civil penalties, fines (consent orders, citations) deposited into the state's general fund......\$18,700

¹ Includes manufacturer, distributor, distributor salesperson, linked bingo game provider, organization, gambling manager licenses, along with premises permit, exempt permit, and game approval/testing fees.

² Fees collected are assigned to a designated account controlled by legislative appropriation.

Board-Issued Licenses and Permits as of June 30, 2023

8	Manufacturers	Produce and sell gambling equipment (pull-tab games, bingo paper, bingo ball selection devices, etc.) to licensed distributors.				
2,414	Games	Manufacturer-produced games tested/approved for sale to licensed distributors.				
2	Linked bingo game providers	Provide electronic linked bingo games to licensed lawful gambling organizations.				
9	Distributors	Businesses that sell games and other gambling equipm excluded lawful gambling organizations.	ent to licer	nsed, exempt, and		
102	Distributor salespersons	Distributor employees licensed to sell games and othe nonprofit organizations.	r gambling	equipment to		
1,144	Licensed organizations	Nonprofit organizations licensed to conduct gambling	at permitte	d premises.		
	- 8	Type of Nonprofit Organization	<u>Count</u>	<u>Percent</u>		
		Veterans—American Legions, VFWs, and Auxiliaries	290	25%		
		Fraternal—Eagles, Moose, Elks, Lions	227	20%		
		Youth sports and activities	212	19%		
		Firefighter relief associations	184	16%		
		Civic, religious, outdoor, and other misc. organizations	231	20%		
		Total licensed organization	ons 1144	100%		
1,144	Gambling managers	Members of licensed nonprofit organizations responsi organizations' lawful gambling operations.	ble for supe	ervising		
3,026	Premises permits	Allows a licensed organization to conduct lawful gamb	ling at a loc	ation.		
3,347	3,3472,219 nonprofit organizations were issued permits to conduct limited gambling on up to five days per calendar year. 3,347 activities were conducted in FY23 (July 1, 2022 – June 30, 2023) with tax-exempt total sales of \$55,600,720. These receipts are not included in the total sales amounts for licensed organizations.					
587	Excluded permits	343 nonprofit organizations were issued permits to conduct 587 excluded bingo activities. "Excluded" bingo may be conducted for four or fewer annual events or be conducted up to 12 consecutive days in conjunction with a county fair, civic celebration, or the State Fair. Sales amounts from excluded organizations are not included in the licensed organization totals.				

Calculation of	of Net Receipts	Total Expend	litures
Gross receipts	\$4,572,210,494	Allowable expenses ¹	\$335,195,312
Prizes paid	- \$3,907,332,817	Lawful purposes ²	+ \$330,364,035
Net receipts	\$664,877,676	Total expenditures ³	\$665,559,347

¹ Allowable expenses are the costs related to the conduct of gambling such as inventory, wages, and rent.

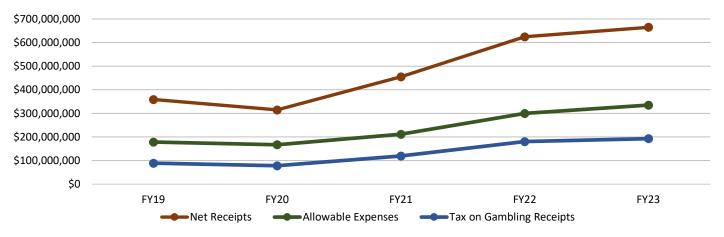
² Lawful purposes include charitable contributions, nonprofit program expenditures, taxes, and fees.

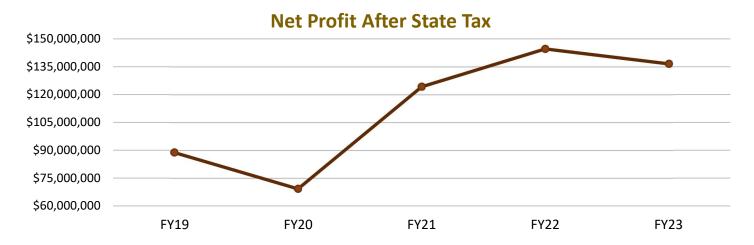
³Total expenditures exceeded net receipts by \$681,671. These funds came from prior years' retained earnings.

Lawful Purpose Expenditures				
Charitable contributions, nonprofit program expenditures, and regulatory fees	\$137,234,097			
State tax	+ \$193,129,939			
Total lawful purpose expenditures	\$330,364,035			

Net Profit After State Tax				
Net receipts \$664,877,676				
Allowable expenses	- \$335,195,312			
State tax	- \$193,129,939			
Net profit after state tax \$136,552,425				

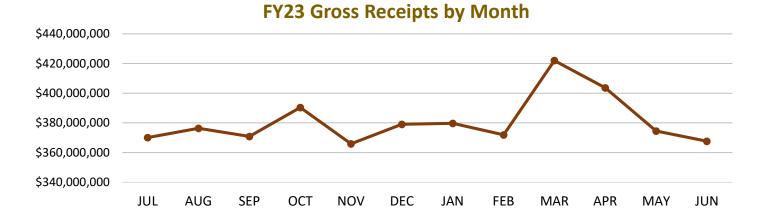
Net Receipts, Allowable Expenses, Tax on Gambling Receipts

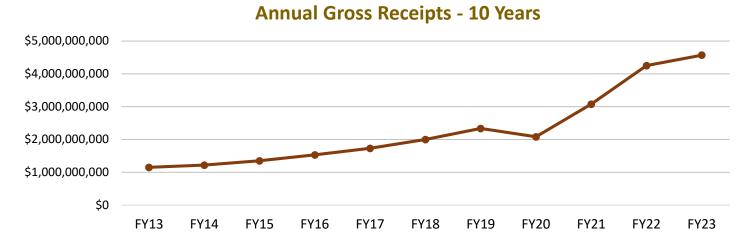




	Gross R	eceipts ¹	Prizes	s Paid	Net Rece	eipts ²
Activity	FY23	FY22	FY22	FY22	FY23	FY22
Pull-tabs - Paper	\$2,041,725	\$2,131,293	\$1,750,638	\$1,824,415	\$291,087	\$306,878
Pull-tabs - Electronic	\$2,334,760	\$1,940,575	\$2,013,346	\$1,670,572	\$321,414	\$270,003
Bingo - Paper	\$79,028	\$76,203	\$59,339	\$56,963	\$19,688	\$19,240
Bingo - Electronic	\$63,765	\$54,972	\$50,271	\$43,977	\$13,494	\$10,995
Tipboards - Sports	\$3,381	\$2,586	\$2,652	\$2,038	\$729	\$548
Tipboards - Non-sports	\$14,651	\$13,639	\$10,942	\$10,198	\$3,709	\$3,441
Paddlewheel - w/table	\$3,129	\$3,783	\$2,733	\$3,263	\$396	\$520
Paddlewheel - w/o table	\$15,446	\$14,369	\$10,081	\$9,290	\$5,365	\$5 <i>,</i> 079
Raffles	\$16,031	\$14,020	\$7,330	\$6,289	\$8,700	\$7,731
Interest	\$296	\$158	\$0	\$0	\$296	\$158
Totals	\$4,572,211	\$4,251,598	\$3,907,332	\$3,627,005	\$664,879	\$624,593

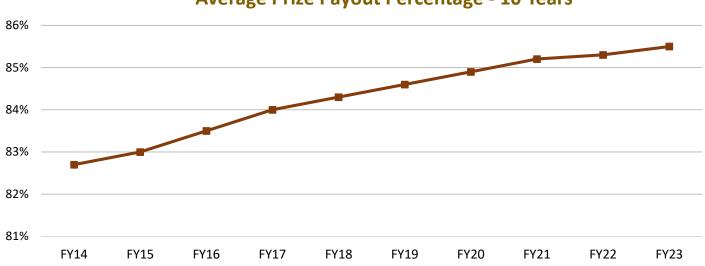
² "Net receipts" means the amount wagered that was not returned to players in prizes.





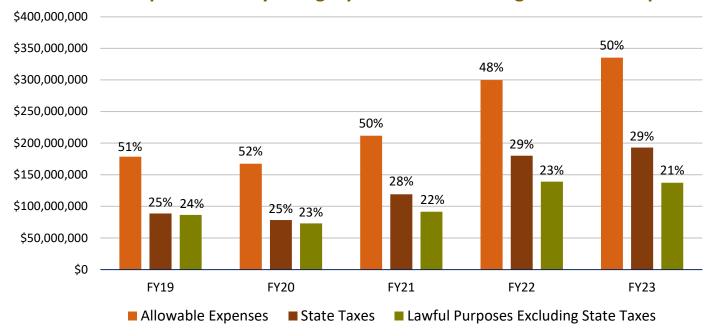
Calculation of Net Receipts				
Gross receipts \$4,572,210,494				
Prizes paid	- \$3,907,332,817			
Net receipts	\$664,877,676			

Annual gross receipts increased 275% from FY14 to FY23, while annual net receipts only increased by 216%. This was due to the prize payout percentage increasing from 82.7% to 85.5% over the same ten-year period.

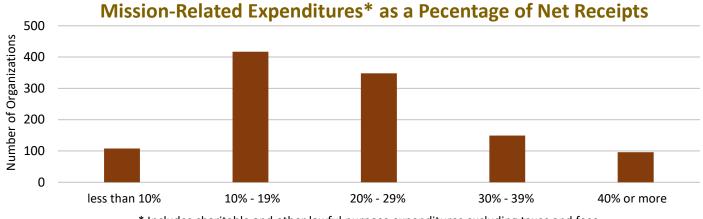


Average Prize Payout Percentage - 10 Years

Expenditures by Category and as a Percentage of Net Receipts

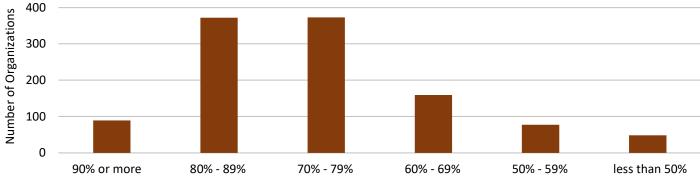


The graphs below are three measures of organizations' efficiency in raising funds for their charitable missions. For example, the first graph shows that 108 of the 1144 licensed organizations spent less than 10% of their net receipts on mission-related expenditures, while 96 spent 40% or more. The second graph shows the percentage of net receipts spent on expenses, taxes, and fees. The higher this percentage, the less is available for donations and other mission-related expenditures. The third graph shows the percentage of net receipts spent on all lawful purpose expenditures (including taxes and fees).

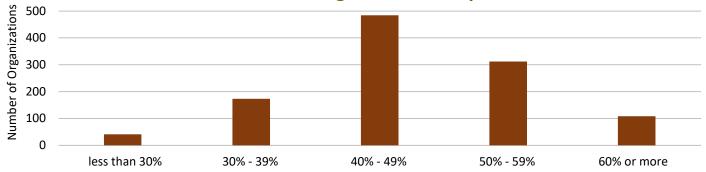


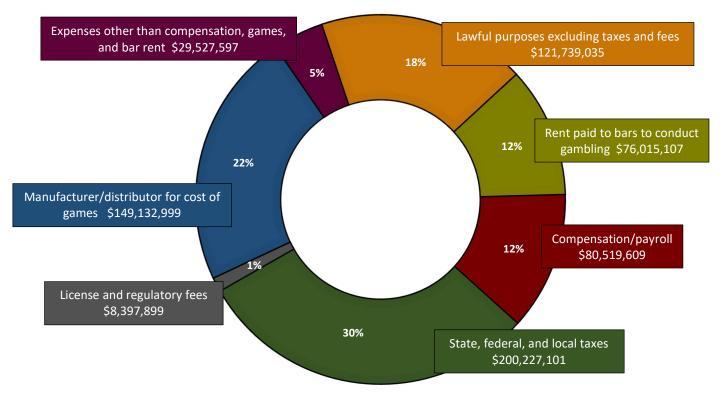
* Includes charitable and other lawful purpose expenditures excluding taxes and fees.





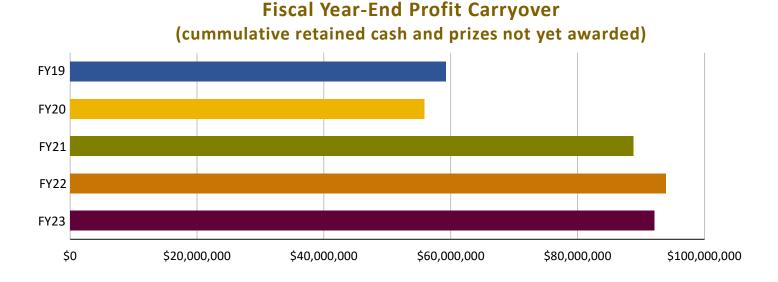
Total Lawful Purpose Expenditures as a Percentage of Net Receipts



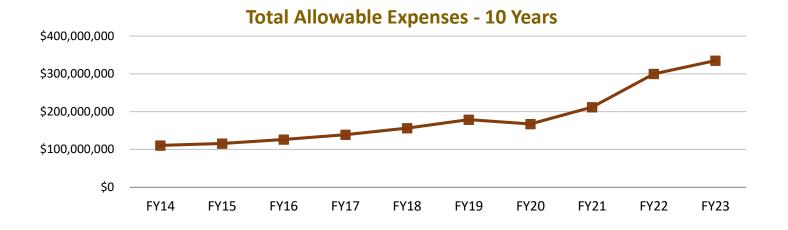


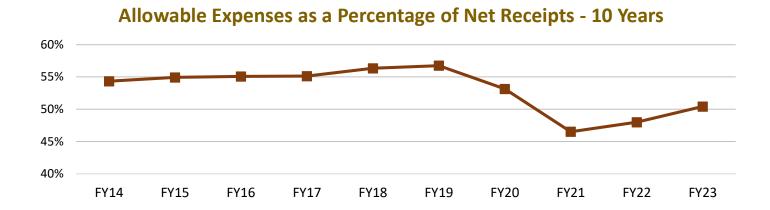
Expenditure of Lawful Gambling Proceeds*

* Excluding prizes, organizations spent \$665,559,347 in FY23, of which \$681,671 was retained earnings from prior years.

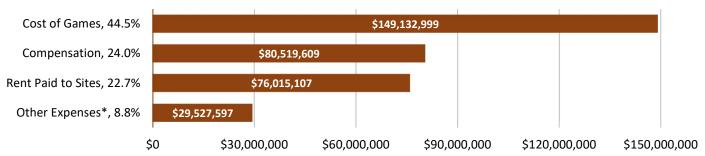


Allowable expenses are operating costs directly related to the conduct of	Allowable Expenses	\$335,195,312
gambling. Examples include product costs, rent paid to sites, wages, accounting fees, and supplies. The FY23 cost of games, primarily paper and	Lawful Purposes	+ \$330,364,035
electronic pull-tabs, increased 12.1% over FY22. The increased cost of games was the main factor driving the increase in total allowable expenses.	Total Expenditures	\$665,559,347

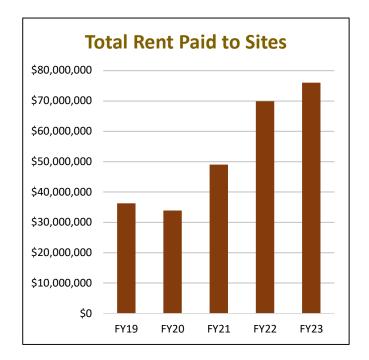




FY23 Allowable Expenses by Category



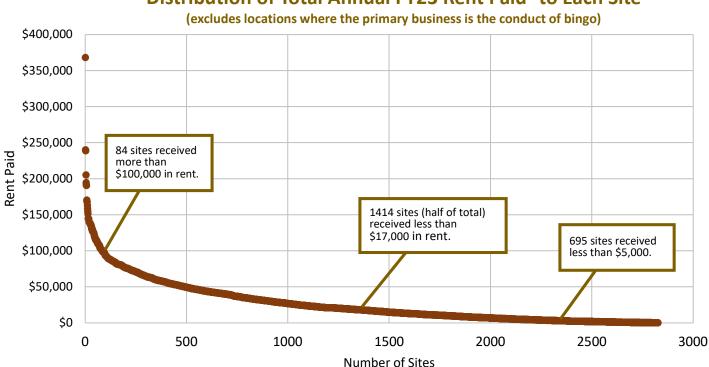
* Other expenses include accounting fees, office equipment and supplies, travel expenses, gambling manager's bond, and cash shortages.



An organization that conducts lawful gambling at a site it owns may use lawful gambling proceeds to pay the property taxes for that site. An organization may also lease space (typically from a bar or restaurant) for the conduct of gambling. Nearly all rent for these leased premises is paid at the following rates:

- if the organization's employees conduct the gambling, 10% of net receipts with a monthly cap of \$1,750;
- if the site owner's employees conduct the gambling, 20% of net receipts less cash shortages for paper pull-tabs;
- if the site owner's employees conduct the gambling, 15% for electronic pull-tabs and electronic linked bingo.

Rent paid to site owners in 2023 totaled \$76 million, a 110% increase since 2019.



Distribution of Total Annual FY23 Rent Paid^{*} to Each Site

*As of June 30, 2023 there were 3026 active sites, with 85% of them leased by licensed organizations, and 15% owned by licensed organizations.

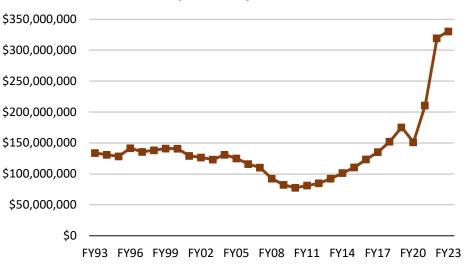
Lawful Purpose Expenditures

Lawful gambling net profits (net receipts less allowable expenses) may be spent for the lawful purposes described below. The total expended in each category is based		Total Expenditures	\$665,559,347
on amounts reported to the Board by licensed organizations each	Allowable Expenses	\$335,195,312	
Each organization is required to spend at least 30% of its fiscal-ye on lawful purpose expenditures (20% for organizations that cond exclusively at locations where the primary business is the conduc	Lawful Purpose Expenditures	\$330,364,035	
State gambling taxes\$193,129,939 Contributions to/expenditures by 501(c)(3)		military service and suppor veterans' clubs	
or 501(c)(4) festival organizations\$54,659,400	Religious purpo	ses	\$1,256,295
Programs/projects by the United States, the State of Minnesota, or local units of govern- ment (excluding taxes)\$19,647,372 Youth activities\$16,708,311	maintaining sno vehicle trails ap	ement projects, grooming a owmobile and all-terrain proved by DNR, and monit uality	oring
Specific utility costs by licensed veterans and fraternal organizations\$6,061,569	organization or	o another licensed parent organization (with)	\$603,636
Public or private nonprofit educational institutions and scholarships\$7,150,392 Lawful gambling license & regulatory fees\$6,830,458	food shelves fo	ing, nutritional programs, or r the disabled or persons er	
Local and federal gambling taxes\$7,097,162 Relieving effects of poverty, homelessness,	Membership ev	ents by licensed veterans	
or disabilities\$3,923,084 Acquisition or improvement of qualifying capital assets or real property of organization-		s organizations or program	
owned buildings\$5,552,584	Recognition of	humanitarian service	\$70,224
Real estate taxes\$2,206,407	Compulsive gar programs	nbling	\$2,036

Program Expenditures, Taxes, and Fees (in \$1,000s)

State taxes on gambling receipts	\$193,130
Charitable contributions and other program expenditures	\$122,331
Board license and regulatory fees	\$6,830
Federal, local, and unrelated business income taxes	\$7,097
Total lawful purpose expenditures	\$330,364

Lawful Purpose Expenditures - Historical



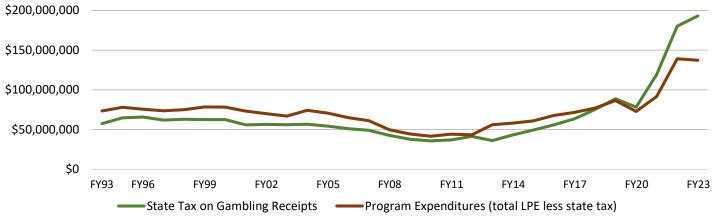
State taxes on lawful gambling include the net receipts tax and the combined net receipts tax. Under state statute, these taxes are categorized as lawful purpose expenditures.

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

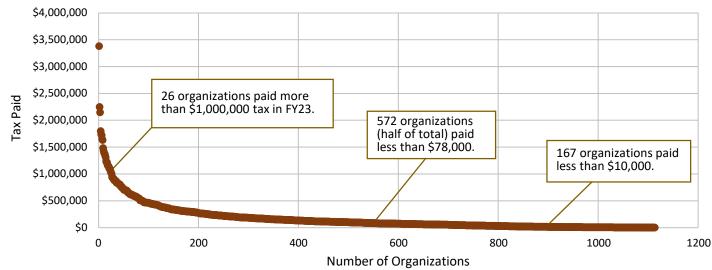
<u>Combined net receipts tax</u> is a progressive tax on the net receipts from electronic and paper pull-tabs, tipboards, electronic linked bingo, and interest. In FY23, each organization's first \$87,500 of net receipts from these activities was taxed at 9%, the next \$35,000 at 18%, the next \$35,000 at 27%, and net receipts over \$157,000 were taxed at 36%.

FY22 and FY23	Totals by T	ах Туре	e State Tax as % of Gross and Net I			let Receipts		
	FY23	FY22	FY Tax Paid % Gross Receipts % Net Receip					
Net receipts tax	\$2,902,628	\$2,768,421	2023	\$193,129,939	4.22%	29.05%		
Net receipts tax			2022	\$180,200,296	4.20%	28.90%		
Combined net receipts tax	\$190,227,311	\$177,431,875	2021	\$119,096,000	3.90%	26.20%		
combined net receipts tax	3190,227,311	\$177,451,675	2020	\$78,303,000	3.80%	24.90%		
Total state gambling tax	¢102 120 020	\$180,200,296	2019	\$88,777,000	3.80%	24.80%		
TOTAL STATE BALLDING LAX	e gambling tax \$193,129,939 \$180,200,296		2018	\$75,178,000	3.70%	23.80%		





Distribution of FY23 State Tax Paid by Each Organization

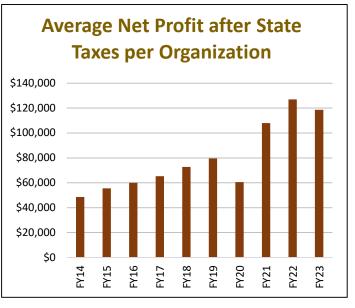


"Net profit after state taxes" is calculated by subtracting prizes paid, allowable expenses, and state lawful gambling taxes from gross receipts. Net profit after state taxes is commonly used to identify how much an organization made from its lawful gambling operation.

FY23 net profits after state taxes fell 4.5% from FY22. This was the result of FY23 allowable expenses increasing 11.8% and taxes increasing 7.2%, while net receipts only increased 6.4%.

FY23 Net Profit After State Taxes		Total Net Profit after State Tax	
Net receipts	\$664,877,676	FY14 FY15 FY16	
Allowable expenses	- \$335,195,312	FY17 FY18 FY19	
State tax	- \$193,129,939	FY20 FY21 FY22	
Net profit after state tax	\$136,552,425	FY23 \$0 \$50,000,000 \$100,000 \$150,000,000	





Organizations (# of active sites as of June 30, 2023)	<u>Total Sales</u>	Prize Payout %	<u>Net Receipts</u>
Merrick Inc (26)	\$62,541,768	84.5%	\$9,710,469
White Bear Lake Area Hockey Assoc (6)	\$46,387,672	85.7%	\$6,625,173
Centennial Youth Hockey Assoc (9)	\$44,107,833	88.2%	\$5,208,406
Confidence Learning Center (39)	\$40,085,292	84.3%	\$6,277,978
Amvets Post 1 Mendota (13)	\$40,051,323	87.4%	\$5,045,366
St. Cloud Youth Hockey Association (7)	\$37,809,985	86.9%	\$4,934,453
Burnsville Savage Lions Club (4)	\$32,831,199	87.6%	\$4,076,525
Community Charities of Minnesota (31)	\$32,569,525	85.7%	\$4,667,364
Irving Community Association (26)	\$31,178,769	85.9%	\$4,392,866
American Legion Post 491 Bayport (17)	\$29,905,866	86.0%	\$4,189,097

Top Ten Organizations by Gross Receipts

Top Ten Sites by Gross Receipts

Sites	Total Sales	Prize Payout %	Net Receipts
JR's Outpost, Ramsey	\$16,604,073	87.9%	\$2,013,318
Jimmy's Food & Drink, Vadnais Heights	\$13,757,314	84.8%	\$2,094,260
American Legion Post 580, Chanhassen	\$12,467,920	87.3%	\$1,582,237
HR Pesty's Saloon, Waite Park	\$11,814,304	87.2%	\$1,510,380
American Legion Post 1776, Apple Valley	\$11,279,313	87.6%	\$1,399,379
VFW Post 8731, Monticello	\$11,180,350	87.1%	\$1,438,777
Ole Piper Inn, <i>Blaine</i>	\$10,832,374	86.7%	\$1,446,083
Willy McCoys of Champlin, Champlin	\$10,569,361	86.0%	\$1,484,415
Blainbrook Entertainment Center, Blaine	\$10,526,566	85.3%	\$1,547,642
VFW Post 494, Crystal	\$10,390,705	84.8%	\$1,582,316

Full Licensure not Required

Minnesota Statutes, Section 349.166, allows organizations to conduct some limited lawful gambling activities without obtaining an annual license from the Board or complying with certain regulations (such as having a licensed gambling manager or having two signatures on all gambling account checks). These non-licensed activities are classified as either exemptions or exclusions.

State Tax on Net Receipts Waived

Exempt and excluded gambling activity is not subject to either the net receipts tax or the combined net receipts tax.

	•	<u> </u>	
	Activity	Gross Receipts	Profit
The Board may issue a nonprofit organization an "exempt permit" if it only conducts lawful gambling on five or fewer days in a calendar year (January 1-December 31) and does not award more than \$50,000 in prizes for lawful gambling during that calendar year.	Raffles	\$51 <i>,</i> 494,915	\$31,717,553
	Bingo	\$3,101,000	\$1,778,603
	Pull-Tabs	\$753,605	\$197,924
	Paddlewheel	\$196,893	\$137,825
	Tipboards	\$54,307	\$21,792
	Tax-Exempt Totals	\$55,600,720	\$33,853,697

Exempt Lawful Gambling

Excluded Lawful Gambling*

Excluded Raffles

A nonprofit organization may conduct a raffle without a license or permit if, for the calendar year, the total value of all prizes donated and purchased is less than \$1,500, OR if the organization is a 501(c)(3) and the total value of all prizes donated and purchased for one event does not exceed \$5,000.

Excluded Bingo

A nonprofit organization may obtain a permit to conduct excluded bingo if bingo is conducted at 4 or fewer events during the year or if bingo will be conducted 12 or fewer consecutive days in conjunction with a county fair, civic celebration, or the Minnesota State Fair. No fee is required to apply for this permit.

Senior Citizen Bingo

Bingo may be conducted in a nursing home or a senior citizen housing project or by a senior citizen organization if the prizes for a single game do not exceed \$10 and total prizes for the day do not exceed \$200. Only residents and their guests are allowed to play.

* No financial reports are required for excluded lawful gambling.

Board Mission and Functions

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. The Board performs many tasks to accomplish this mission including an in-depth licensing process, monitoring of licensees' gambling activities and expenditures, and providing education and technical assistance to our clientele regarding a wide range of licensing and compliance questions. Staff conducts compliance audits of organizations' operations, performs inspections of lawful gambling sites, investigates alleged misconduct, theft, and fraud, monitors daily electronic game activity, and tests each electronic and paper game made available for play in Minnesota.

Audits, Inspections, and Investigations

Regulation and guidance are provided to licensed organizations through compliance audits, inspections, and investigations. 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

Education is provided to organizations through the following opportunities:

- Continuing Education. Gambling managers are required to complete one continuing education class each calendar year. Online classes were offered and 24 in-person classes were conducted. Classes are free and open to the public.
- Gambling Manager Seminars. A required multi-day online Gambling Manager Seminar was offered monthly for all . prospective gambling managers and the CEOs of newly licensed organizations.
- **Mentoring.** The Board's mentoring program provides one-on-one training to organizations on how to properly manage their gambling operation and comply with all reporting requirements.

Monthly Financial Reports

Licensed organizations are required to file a financial report with the Board each month. The report includes information on the organization's receipts and expenses for each site where gambling was conducted, a listing of its lawful purpose expenditures, and a reconciliation of its profit carryover with its bank balance. These reports are used to monitor gambling activity, identify potential problems, and ensure transparency of operations for organization members and the public.

Website

The Board makes several publications available to the public on its website (www.mn.gov/gcb).

- Gaming News. The Board's quarterly newsletter provides information on compliance, licensing, and education issues. Gaming News also includes information on legislative and rule changes, continuing education classes, forms, and Board activities. In addition to being available on the website, gambling managers and CEOs are emailed a link to each new edition of Gaming News upon publication.
- Lawful Gambling Manual. The Lawful Gambling Manual is a reference guide for CEOs, gambling managers, and organizations. The manual is divided into indexed chapters that are easily referenced for:
 - licensing requirements;
 - conducting paper and electronic pull-tabs, paper and electronic bingo, raffles, paddlewheels, and tipboards;
 - establishing and maintaining adequate internal controls over the gambling operation;
 - how net receipts may be spent; and 0
 - record-keeping and reporting procedures and requirements. 0
- Other Information. Agency annual reports, lists of licensees, staff contact information, links to statutes and rules, forms, crime alerts, bulletins, and many more publications are available on the Board's website.

Board Members

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

Member	Appointed By:	Term Expiration
Janet Lorenzo, Chair, Inver Grove Heights	Governor	June 30, 2025
James Nardone, Vice Chair, Grand Rapids	Governor	June 30, 2024
Mike Sundin, Secretary, Esko	Governor	June 30, 2026
William English, Plymouth	Attorney General	June 30, 2023
Kate Luthner, Forest Lake	Governor	June 30, 2024
Doug Forsman, Shakopee	Public Safety	June 30, 2027
Vacant	Governor	

-NOTES-

Minnesota Gambling Control Board www.mn.gov/gcb 651-539-1900



Roseville Central Office:

Minnesota Gambling Control Board 1711 West County Road B, Suite 300 South Roseville, MN 55113

Fergus Falls Regional Office:

Minnesota Gambling Control Board 1415 College Way Fergus Falls, MN 56537

Hibbing Regional Office:

Minnesota Gambling Control Board 522 East Howard Street, Suite 208 Hibbing, MN 55746

Mankato Regional Office (mailing address):

Minnesota Gambling Control Board 1819 Adams Street, #402 Mankato, MN 56001

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