

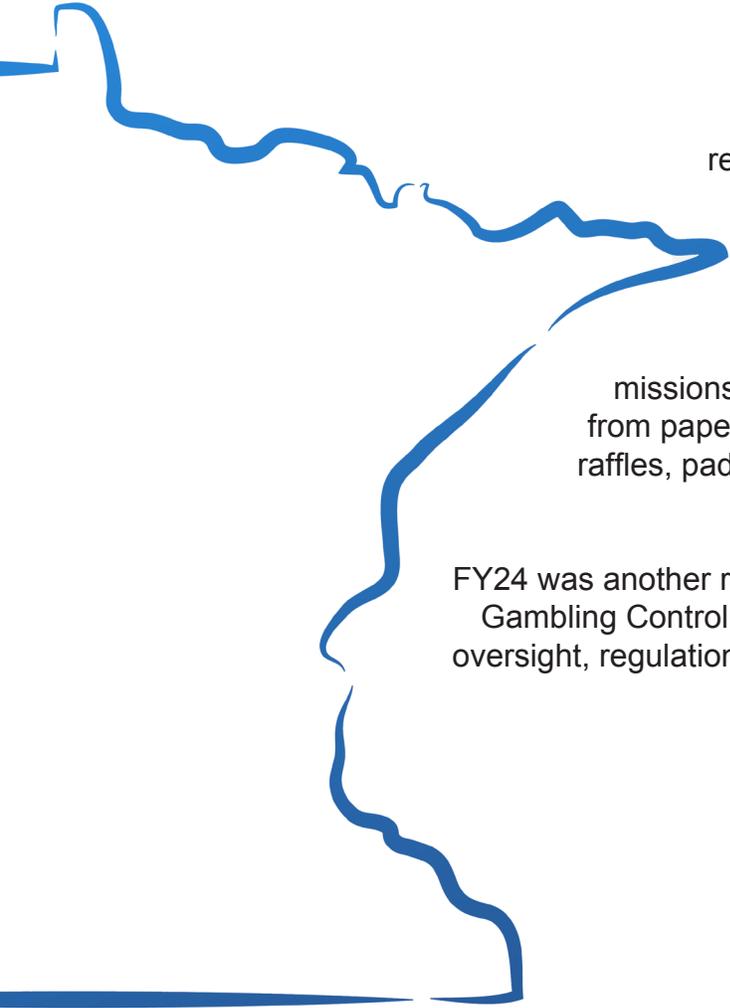
Annual Report

Minnesota Gambling Control Board
Fiscal Year 2024
July 1, 2023—June 30, 2024



Minnesota Gambling Control Board

Annual Report Fiscal Year 2024



The Minnesota Gambling Control Board provides the resources and regulation needed to make Minnesota’s charitable gambling industry—the largest in the nation—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 2024 (FY24), beginning July 1, 2023, and ending June 30, 2024.

FY24 was another record year for charitable gambling in Minnesota. The Gambling Control Board and staff are excited to continue providing the oversight, regulation, and outreach needed to keep this multibillion-dollar industry successful.

Respectfully submitted,



Janet Lorenzo
Board Chair



Laura Wade
Executive Director

FY2024: In a Nutshell

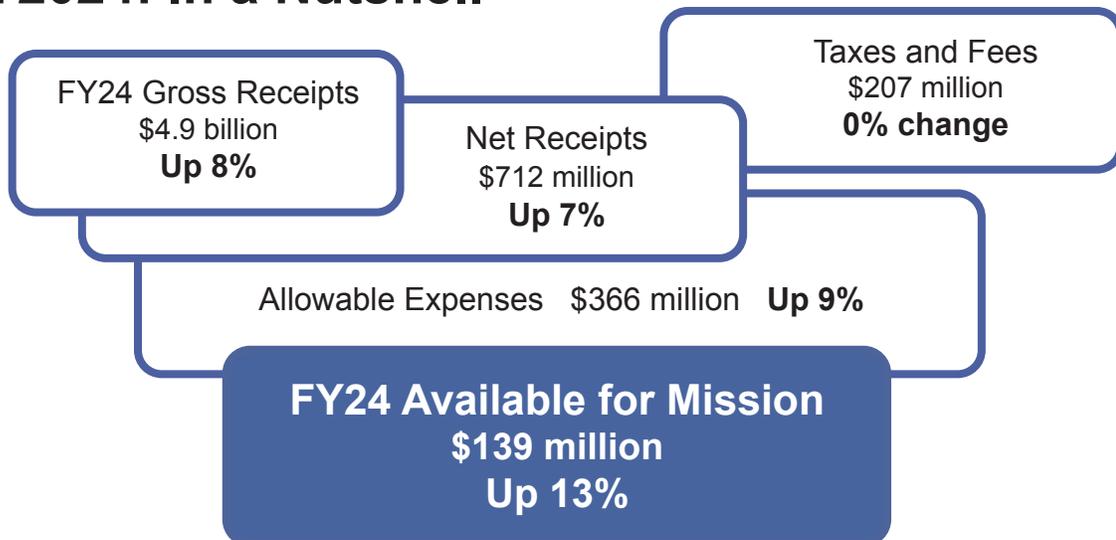
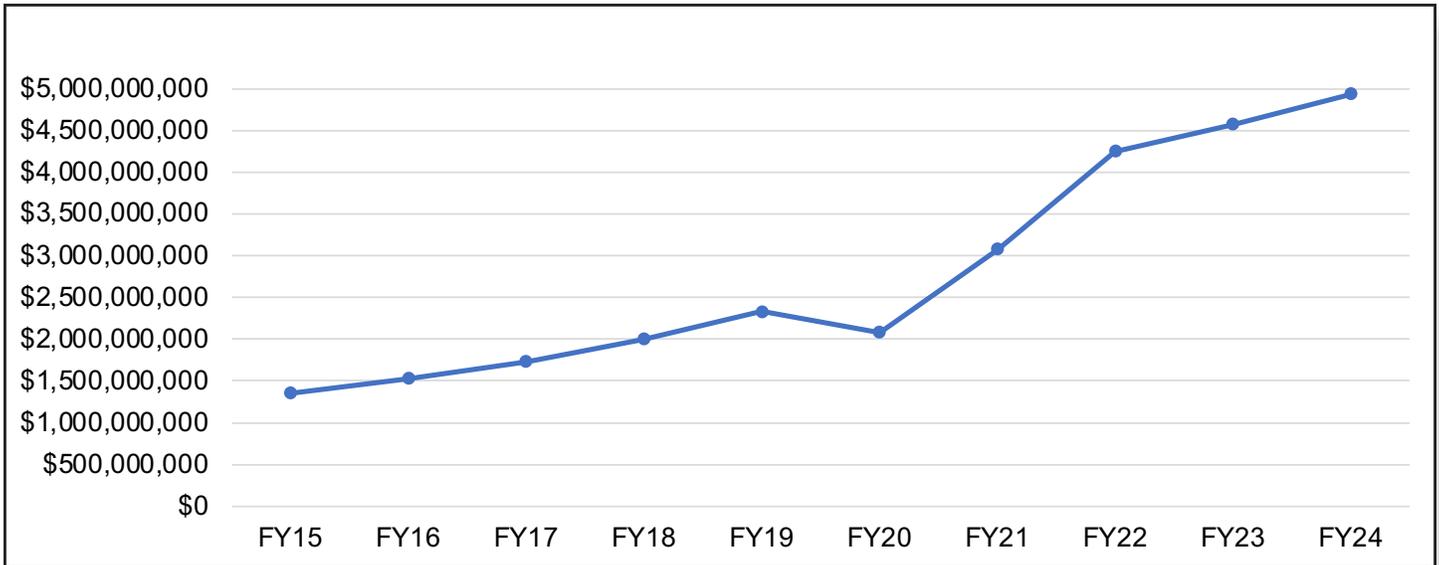


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Annual Gross Receipts—10 Years



What It Means

“**Gross receipts**,” the total amount wagered by players before any prizes were paid, were \$4,935,680,755 for FY24. Charitable gambling’s FY24 average prize payout was 85.6%.

That means that for every \$100 wagered, players lost an average of \$14.40. Or, from a different perspective, on average, players wagered \$694 before losing \$100.

Since FY15, charitable gambling gross receipts have shown a 13.8% annual growth rate. Gross receipts have increased in each of the past ten years, except for FY20 due to the COVID-19 pandemic.

Net Profit after Taxes and Fees: “Available for Mission”

Gross Receipts	\$4,935,680,755
Net Receipts	712,111,467
Allowable Expenses	-365,807,531
Taxes, Licenses and Regulatory Fees	-206,818,273
Net Profit after Taxes and Fees (“Available for Mission”)	\$139,485,663

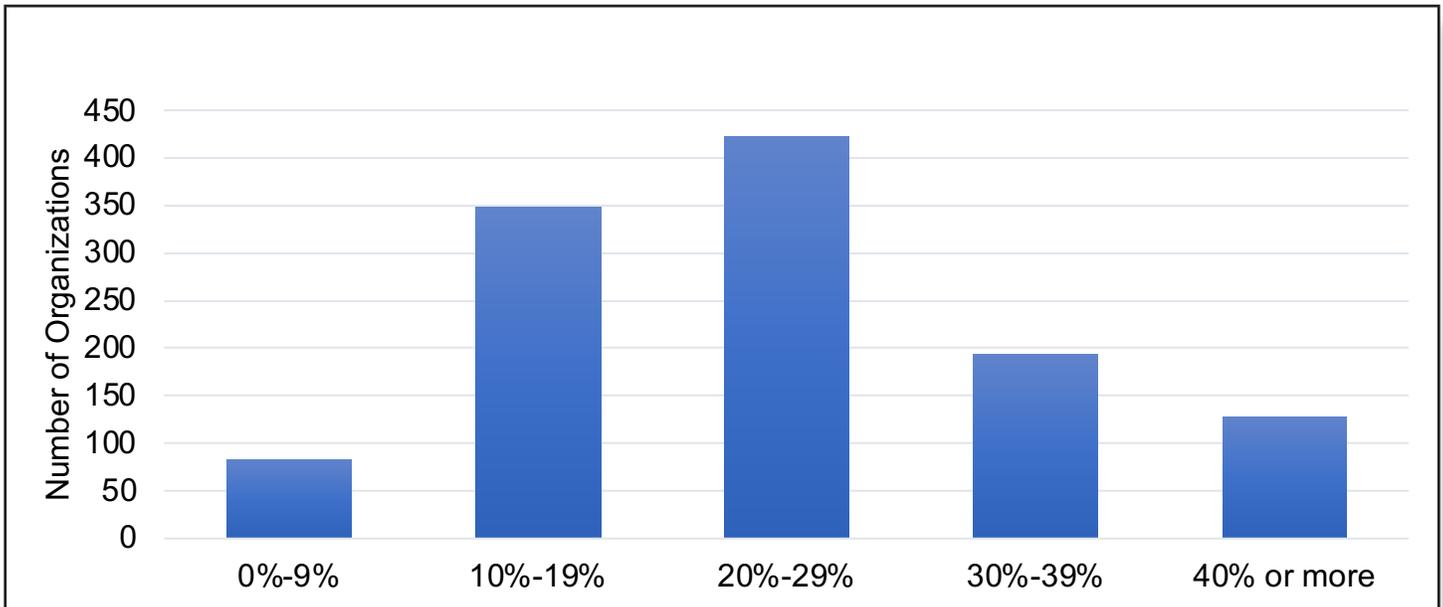
What It Means

Net profit after taxes and fees represents the final “bottom line” amount that licensed organizations raised to support their missions. To make this important number easier to understand, we now refer to it as funds that are “**available for mission.**” This amount is calculated through the following steps:

1. Start with gross receipts (total sales)
2. Subtract total prizes paid to get net receipts
3. From net receipts, deduct:
 - Allowable expenses (costs of running the gambling operation)
 - All state, local, and federal taxes on lawful gambling receipts
 - All licensing and regulatory fees

The resulting figure is the net profit after taxes and fees, or funds “**available for mission.**”

“Available for Mission” as a Percentage of Net Receipts



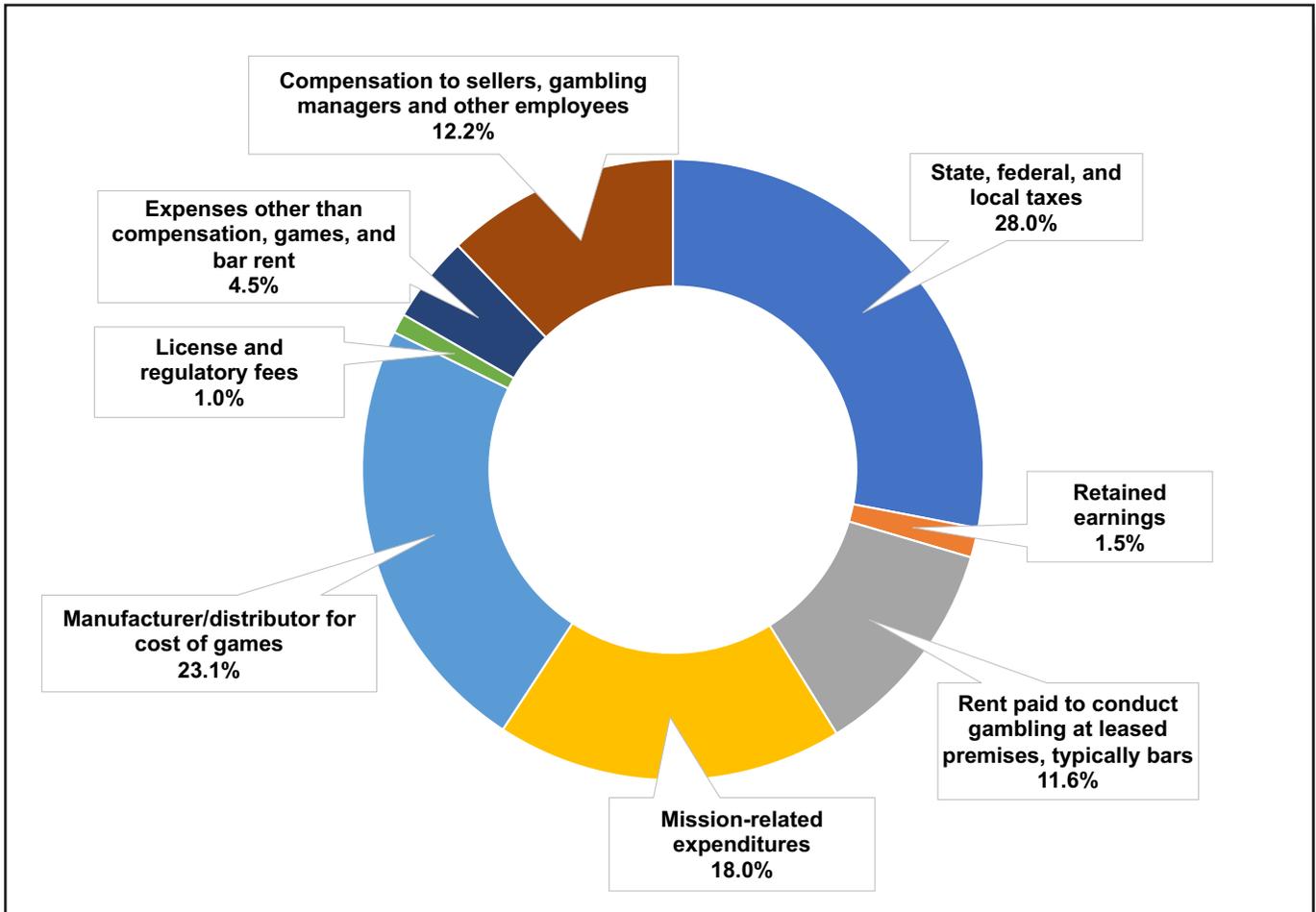
What It Means

A key purpose of the Gambling Control Board is to ensure that each organization’s conduct of charitable gambling does indeed raise funds to support the nonprofit’s charitable mission.

To measure how efficiently a gambling operation raises money for charity, subtract all costs (taxes, fees, and operational expenses) from net receipts (gross sales minus prizes), then divide by net receipts. This calculation shows what percentage of each player's dollar supports the organization's charitable mission.

Statewide, licensed organizations had an average of 20¢ of every dollar available for their charitable mission. On the extreme ends of the distribution, there were 128 highly-efficient organizations that had over 40¢ of each dollar left to support their mission! However, there were 83 licensed organizations that spent less than 10¢ of each dollar to support their mission. A major factor impacting the amount available for an organization’s mission is its expenses—something that the Board is monitoring.

How Dollars Were Spent



What It Means

This chart shows what happened with each dollar of statewide net receipts (gross receipts less prizes paid) in FY24. 18% was spent on mission-related expenditures while another 1.5% remained unspent and was carried over to FY25 for future mission-related expenditures. The biggest bite of the donut was state, federal, and local taxes (28%), while license and regulator fees were just 1% of all net receipts.

Lawful Purpose Expenditures by Category

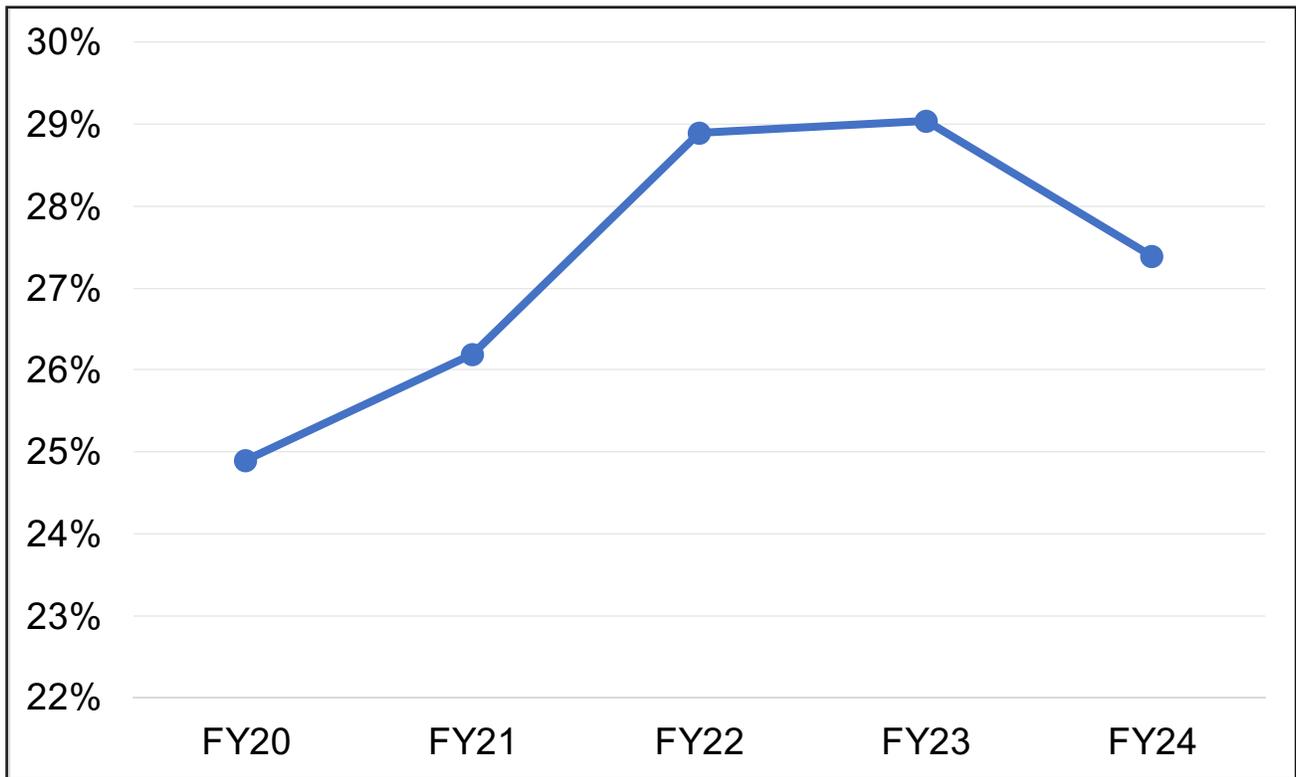
State gambling taxes		\$195,057,000
Contributions to/expenditures by 501(c)(3) or 501(c)(4) festival organizations	*	\$57,935,000
Programs/projects by the United States, the State of Minnesota, or local units of government (excluding taxes)	*	\$21,115,000
Youth activities	*	\$17,174,000
Public or private nonprofit educational institutions and scholarships	*	\$7,827,000
Lawful gambling license & regulatory fees		\$7,272,000
Acquisition or improvement of qualifying capital assets or real property of organization-owned buildings	*	\$6,186,000
Specific utility costs by licensed veterans and fraternal organizations	*	\$5,541,000
Local and federal gambling taxes		\$4,490,000
Relieving effects of poverty, homelessness, or disabilities	*	\$3,526,000
Recognition of military service and support of non-licensed veterans' clubs	*	\$2,543,000
Real estate taxes	*	\$2,117,000
Wildlife management projects, grooming and maintaining snowmobile and all-terrain vehicle trails approved by DNR, and monitoring surface water quality	*	\$1,227,000
Donation to or expenditure by a nonprofit church or body of communicants	*	\$1,192,000
Contributions to another licensed organization or parent organization (with Board approval)	*	\$1,097,000
Congregate dining, nutritional programs, or food shelves for the disabled or persons age 62 and older	*	\$409,000
Membership events by licensed veterans organizations	*	\$339,000
Community arts organizations or program sponsorships	*	\$185,000
Recognition of humanitarian service	*	\$93,000
Compulsive gambling programs	*	\$200

What It Means

Charitable gambling's primary purpose is to generate funds that nonprofit organizations can use to support their missions. After deducting prizes and expenses related to conducting gambling, the remaining funds must be spent on lawful purposes. Lawful purposes include state, local, and federal gambling taxes, license and regulatory fees, and a number of different categories of mission-related expenditures.

The accompanying table shows how much organizations spent on each lawful purpose category. **Mission-related expenditures are indicated with an asterisk.** Organizations must reimburse their gambling account with non-gambling funds for any expenditure made that's not a prize, an allowable expense, or a lawful purpose.

State Tax as a Percentage of Net Receipts



What It Means

The percentage of funds that organizations spent on state tax had been increasing annually in tandem with rising net receipts. This upward trend occurred because, as organizations' net receipts grew, a larger portion of their income fell into higher CNRT (combined net receipts tax) brackets. However, the tax percentage declined in FY24 following across-the-board CNRT rate reductions effective July 1, 2023.

If net receipts continue to climb in FY25, the effective tax rate will likely resume its upward trend.

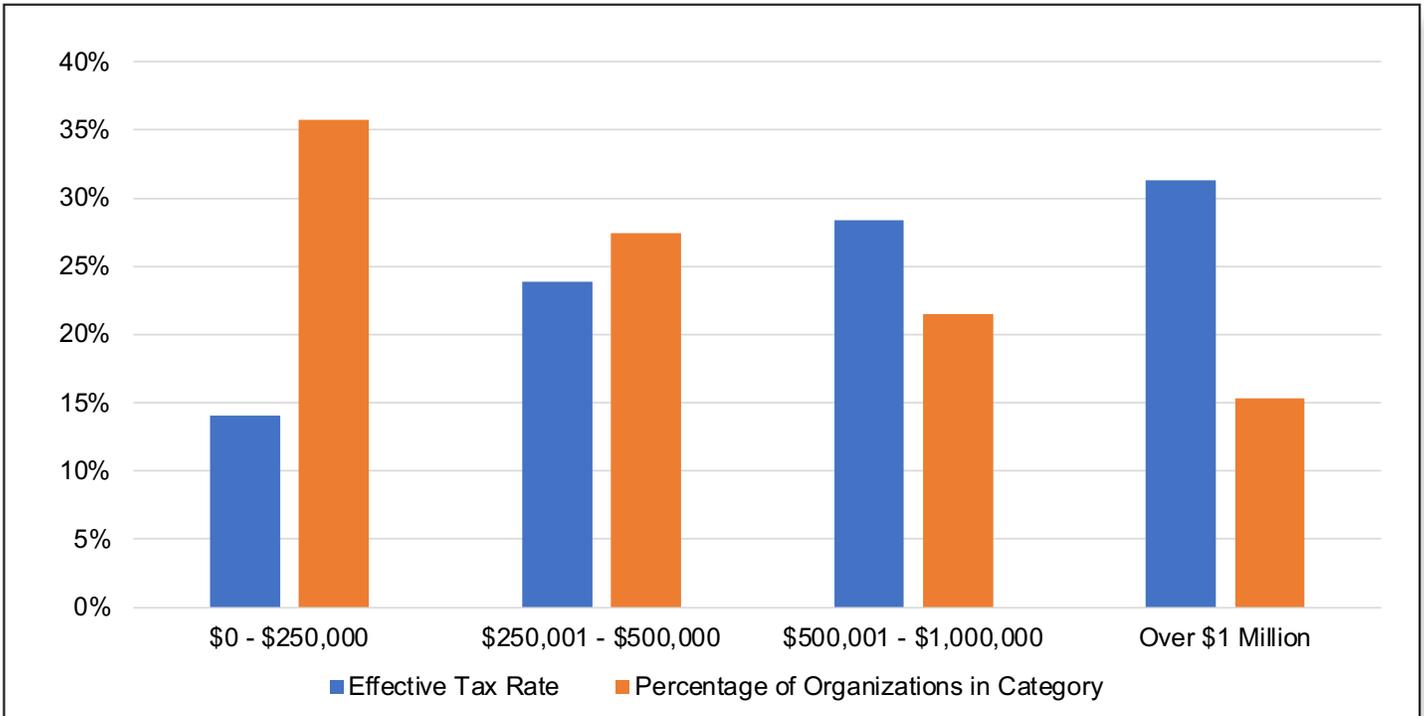
Taxes/Fees vs. “Available for Mission”



What It Means

In FY24, organizations’ tax and fee payments exceeded their mission-supporting funds by \$67 million. While the growth rate of funds “available for mission” has lagged behind tax and fee increases since FY15, this trend shifted in the current year. Following the combined net receipts tax rate reductions implemented on July 1, 2023, tax/fee payments held steady while funds available for mission increased over 13%.

Average Effective Tax Rate by Net Receipts



What It Means

The combined net receipts tax (CNRT) is Minnesota’s primary tax on charitable gambling receipts. It applies a progressive rate structure to paper and electronic pull-tabs, tipboards, and electronic linked bingo, with rates increasing based on an organization’s annual cumulative net receipts.

For example, organizations pay an 8% tax on their first \$87,500 of net receipts each year. But receipts over \$157,500 are taxed at a 33.5% rate. Other forms of charitable gambling (paper bingo, paddlewheel, and raffles) are taxed at a flat 8.5% of net receipts.

The graph above shows the percentage of all organizations in each net receipts category along with the average effective state tax rate (total FY24 tax paid divided by FY24 net receipts) for that category. Over a third of all organizations had an effective tax rate of under 15%, while just 15% of organizations paid an effective tax rate of over 30%.

Receipts by Game Type

Receipts by Game Type (in \$1,000s)

Activity	Gross Receipts ¹			Net Receipts ²		
	FY24	FY23	Change	FY24	FY23	Change
Pull-tabs - Paper	\$2,048,422	\$2,041,725	0.3%	\$288,600	\$291,087	-0.9%
Pull-tabs - Electronic	\$2,671,659	\$2,334,760	14.4%	\$365,924	\$321,414	13.8%
Bingo - Paper	\$88,063	\$79,028	11.4%	\$21,986	\$19,688	11.7%
Bingo - Electronic	\$71,651	\$63,765	12.4%	\$15,085	\$13,494	11.8%
Tipboards - Sports	\$3,558	\$3,381	5.2%	\$766	\$729	5.1%
Tipboards - Non-sports	\$15,027	\$14,651	2.6%	\$3,870	\$3,709	4.3%
Paddlewheel - w/table	\$2,597	\$3,129	-17.0%	\$318	\$396	-19.7%
Paddlewheel - w/o table	\$16,623	\$15,446	7.6%	\$5,725	\$5,365	6.7%
Raffles	\$17,612	\$16,031	9.9%	\$9,369	\$8,700	7.7%
Interest Income	\$469	\$296	58.4%	\$469	\$296	58.4%
Totals	\$4,935,681	\$4,572,211	7.9%	\$712,112	\$664,879	7.1%

¹ "Gross receipts" means the amount wagered.

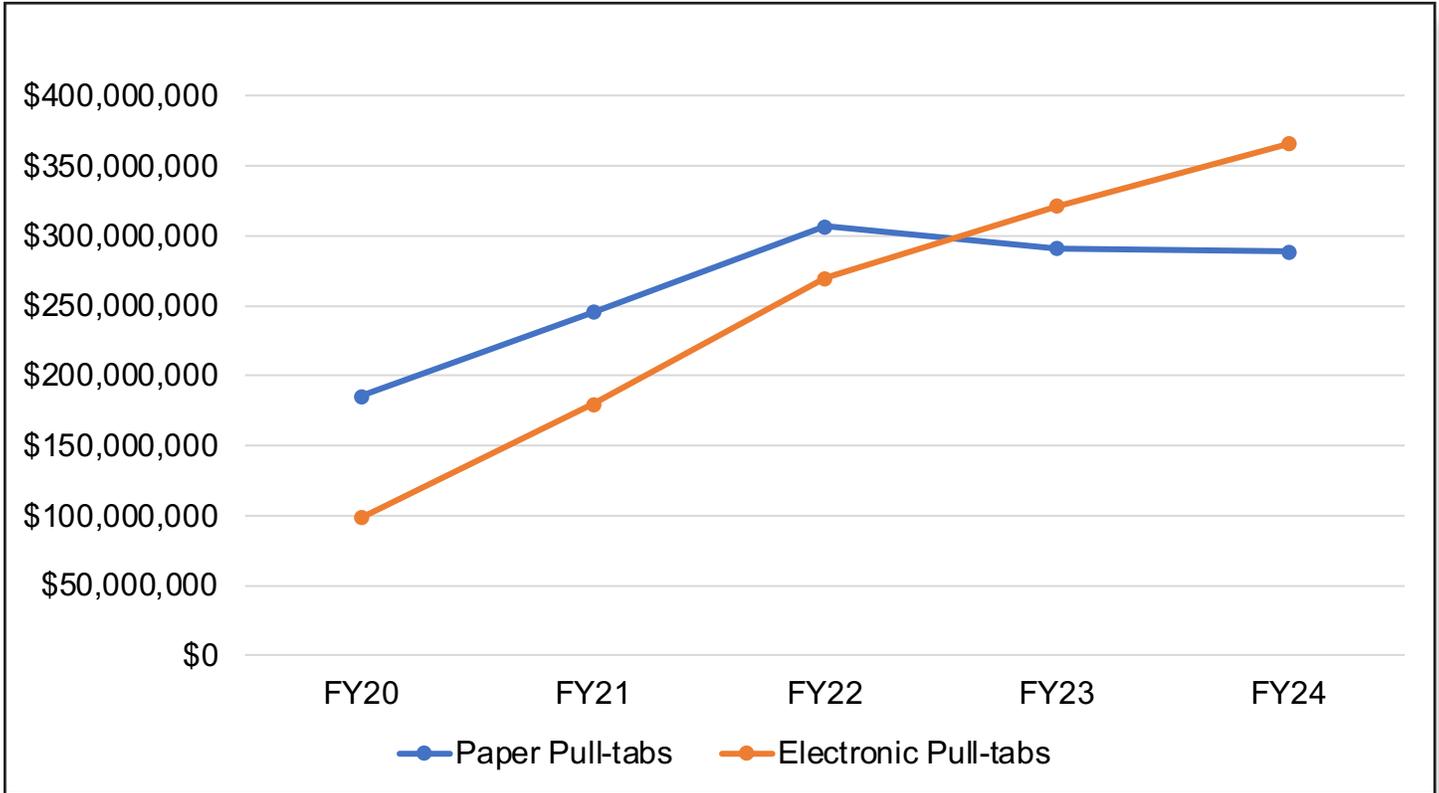
² "Net receipts" means the amount wagered that was not returned to players in prizes.

What It Means

Licensed organizations can conduct five forms of charitable gambling as permitted by statute: pull-tabs (95% of all gambling receipts), bingo, tipboards, paddlewheel, and raffles. For statistical and tax purposes, income from all games except raffles is categorized into two types (see endnotes for a description of each game type).

Except for paddlewheel with a table, FY24 gross receipts increased over FY23 for each game type, including paper pull-tabs. However, paper pull-tab net receipts fell nearly 1%. This was due to paper pull-tabs' FY24 average prize payout percentage increasing to 85.92% from FY23's 85.72%. Because the volume is so large, even the slightest variations in the pull-tab prize payout percentage can significantly affect organization profits.

Pull-tab Net Receipts: Paper vs. Electronic



What It Means

From FY13, when electronic pull-tabs were first legalized, through FY22 (excluding FY20 due to the COVID-19 pandemic), net receipts from both paper and electronic pull-tabs increased—with electronic pull-tab receipts generally rising at a faster rate. However, over the past two years, paper pull-tab net receipts have declined, while electronic pull-tab receipts have increased by nearly 36%.

On January 1, 2025, midway through the 2025 fiscal year, legislative changes prohibiting some features of electronic pull-tabs will go into effect. The Gambling Control Board will closely monitor how these changes affect sales of both paper and electronic pull-tabs.

“Exempt” and “Excluded” Charitable Gambling

Activity	Gross Receipts	Profit
Raffles	\$53,868,254	\$32,986,110
Bingo	\$3,610,707	\$2,099,776
Pull-Tabs	\$919,183	\$165,526
Paddlewheels	\$110,294	\$67,665
Tipboards	\$48,900	\$24,235
Exempt Activity Totals	\$58,557,338	\$35,343,312

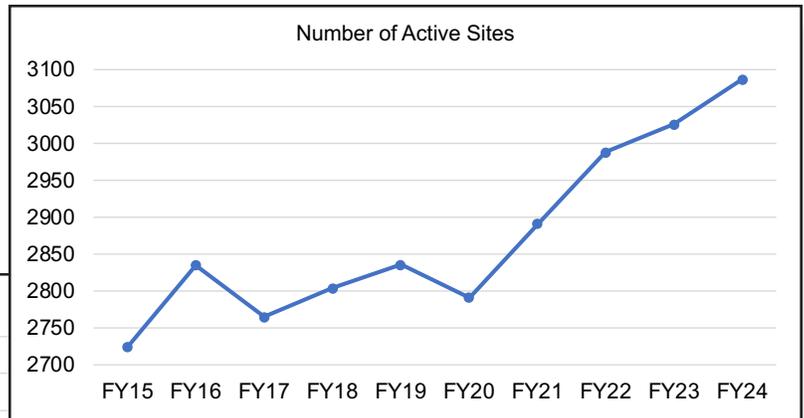
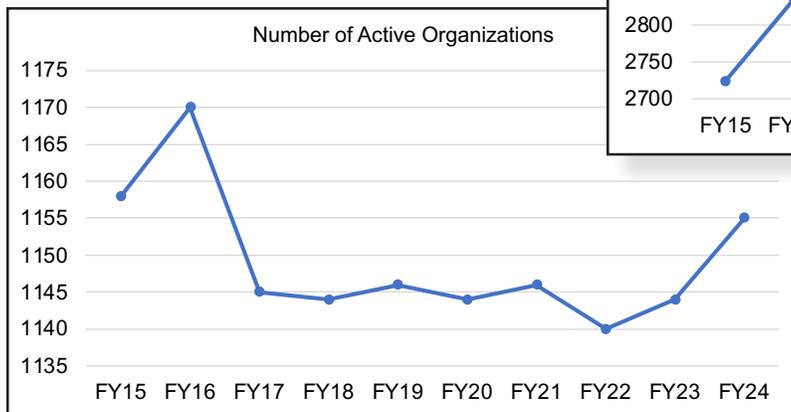
What It Means

Minnesota Statute 349.166 allows nonprofit organizations to conduct charitable gambling without full licensure from the Gambling Control Board in two ways:

1. **Excluded Gambling:** Organizations may conduct very limited bingo and raffle activities without any licensure or state tax on gambling receipts, provided they stay within specified prize limits and/or number of days. Organizations are not required to report the financial results of these excluded activities to the Gambling Control Board.
2. **Exempt Permit Gambling:** For somewhat larger-scale activities, organizations may obtain an exempt permit allowing them to conduct any form of charitable gambling except for electronic games. Organizations with exempt permits may operate on a limited number of days each year and must keep annual prizes under \$50,000. Unlike excluded gambling, these organizations must report their gross receipts, prizes, and expenses to the Gambling Control Board.

The accompanying table is the gross receipts and profits (gross receipts less prizes and expenses) reported for each form of exempt charitable gambling conducted in FY2024.

Organizations and Sites

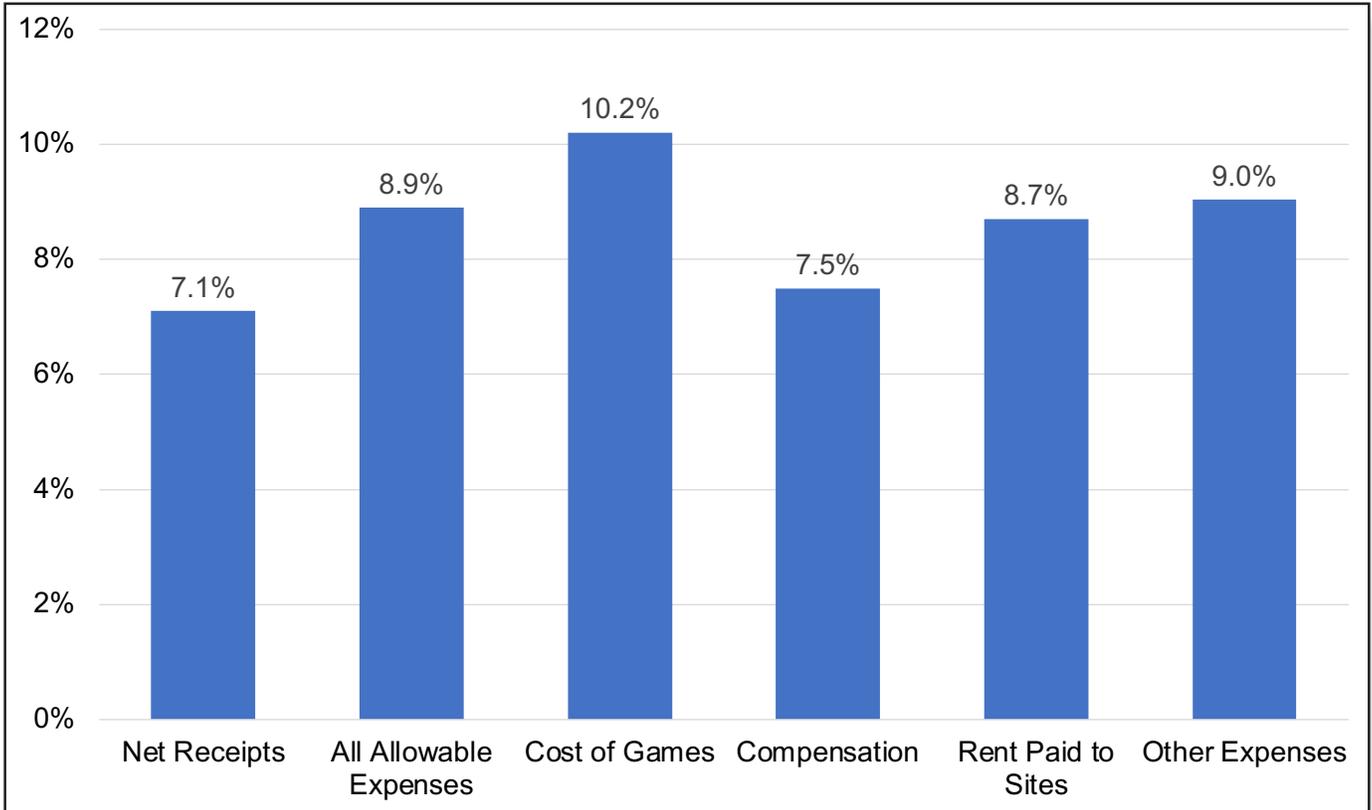


What It Means

The number of active premises permits (sites where charitable gambling is being conducted) increased by nearly 300 since FY20, reflecting a 2% average annual growth rate. While this increase is encouraging, **nonprofits seeking new gambling licenses frequently cite the lack of available sites as their primary obstacle.**

On June 30, 2019, licensed organizations operated an average of 2.5 sites each. By June 30, 2024, this average had increased to 2.7 sites per organization. Rather than these sites going to new organizations hoping to support their missions through charitable gambling, this data suggests that existing licensed organizations absorbed most of the newly available sites.

Increasing Costs by Expense Category



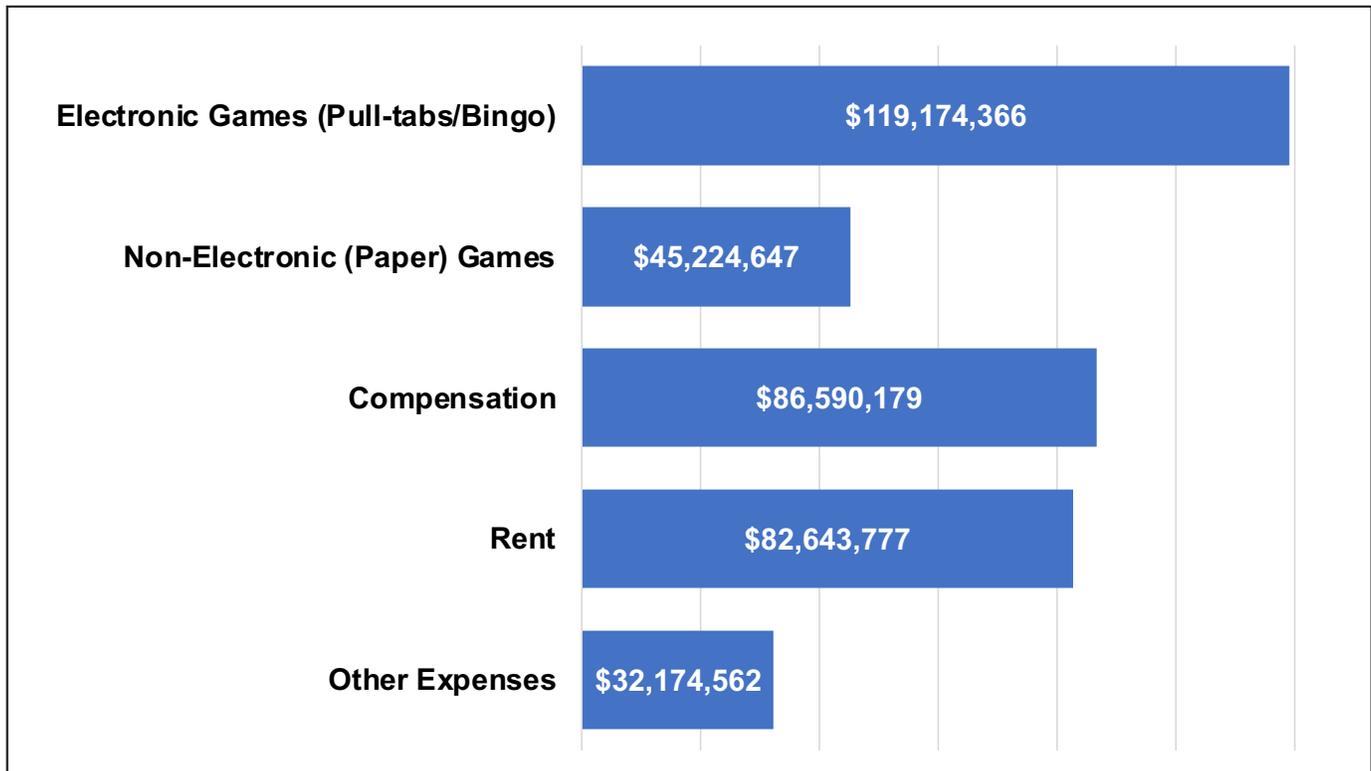
What It Means

In FY24, the costs of running a gambling operation (allowable expenses) increased at a faster rate than net receipts. The biggest factor was a 10% increase in the cost of games (primarily paper and electronic pull-tabs) compared to the previous year.

Rent also rose at a slightly faster rate than net receipts, though this was largely due to a higher percentage of charitable gambling receipts coming from leased, rather than owned, premises.

The category “Other Expenses” includes accounting fees, office equipment and supplies, travel expenses, the gambling manager’s bond, and unreimbursed cash shortages. Though technically not an expenditure, unreimbursed cash shortage amounts are classified as an allowable expense for accounting and reporting purposes.

Allowable Expenses by Category



What It Means

The costs directly related to running a lawful gambling operation are defined as “allowable expenses.” With the increased popularity of electronic pull-tabs, the cost of electronic games has become the biggest expense for most organizations. However, the high cost of electronic games is largely offset by eliminating paper-ticket storage and auditing costs and by the lower rent limit for conducting electronic games at a leased premises.

For FY25, the Minnesota Legislature imposed a new cap on the amount organizations may be charged for electronic pull-tab games. Beginning July 1, 2024, the cost of electronic pull-tab games may not exceed 25% of the games’ net receipts. For many organizations, this cap will save organizations up to 6¢ for every dollar of electronic pull-tab net receipts.

Total Expenditures

Allowable Expenses	\$365,807,531
Lawful Purposes	\$335,324,465
Total Expenditures	\$701,131,996

What It Means

Organizations may only use their lawful gambling net receipts (gross receipts minus prizes paid) for two purposes: allowable expenses and lawful purposes.

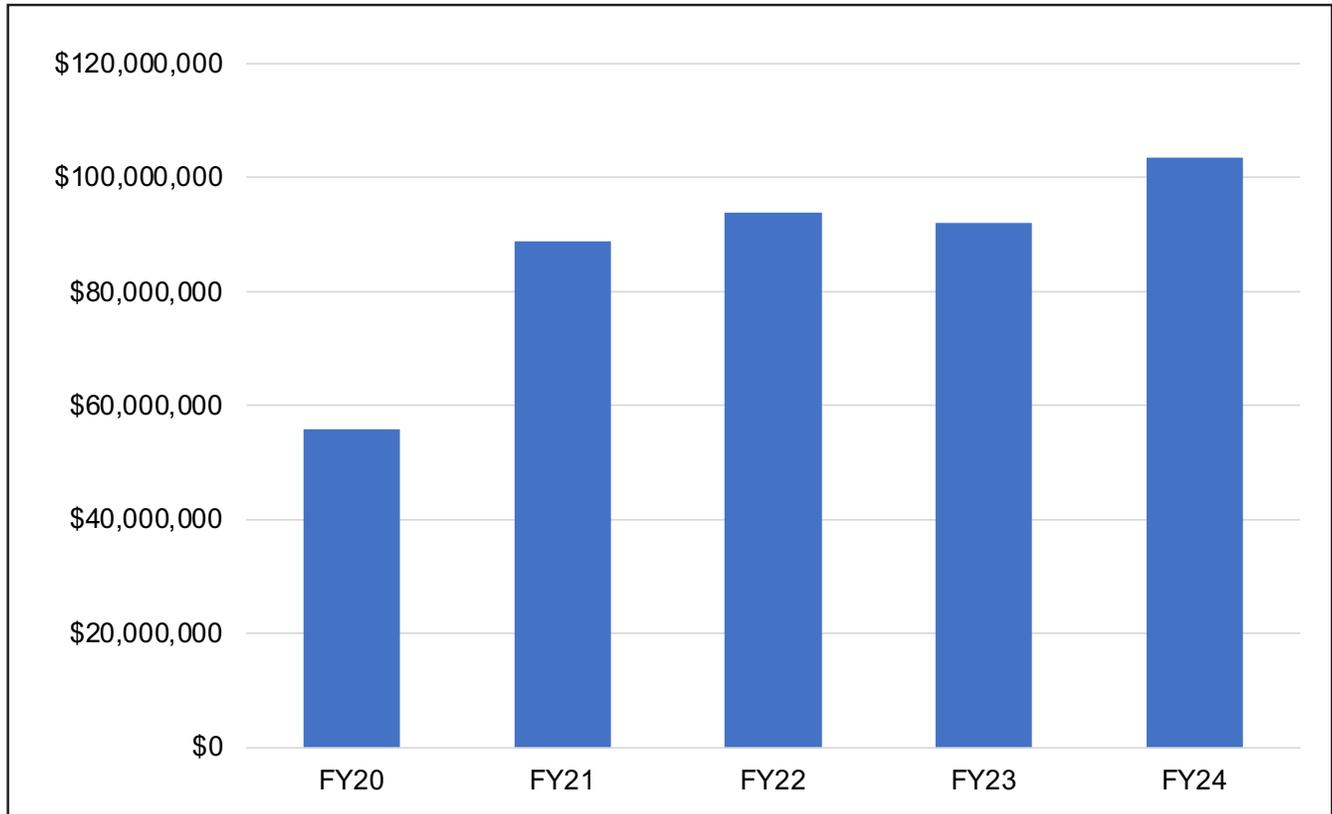
Allowable expenses cover operational costs of gambling activities, including:

- Rent
- Staff compensation
- Game supplies and materials
- Related operating costs

Lawful purposes include:

- License and regulatory fees
- Gambling receipt taxes
- Charitable and mission-related expenditures that support the nonprofit's goals

Year-End Profit Carryover (Retained Cash)



What It Means

Licensed organizations do not necessarily spend what they earn each year. FY24 net receipts totaled \$712 million while only \$701 million was spent, meaning that income of \$11 million was carried over to FY25. This \$11 million, along with the \$92 million carried forward from previous years, resulted in a total profit carryover of over \$103 million as of June 30, 2024.

Nearly all of this money is held in organizations' gambling checking accounts, savings accounts, or as starting cash for their games. When an organization terminates its license, it must document that all funds remaining in its accounts are expended for either lawful purposes or allowable expenses.

FY24: In Numbers

Licensed organizations 1155
 Gambling managers 1155

Premises permits 3087
 Exempt permits 3569
 Excluded permits 654

Manufacturers 7
 Linked bingo game providers 2
 Distributors 9
 Distributor salespersons 104

License/permit/testing fees \$1,781,872
 Regulatory fees \$6,169,601
 Total Gambling Control Board fees collected \$7,951,473

Civil penalties and fines (consent orders, citations)
 deposited into the state's general fund \$41,250

Gambling Control Board Legislative appropriation \$6,365,000
 Gambling Control Board expenditures \$5,106,478
 Unused appropriation returned to dedicated account \$1,258,522

What It Means

Thanks to a successful partnership between the Gambling Control Board and the organizations that participate in the charitable gaming industry, FY24 was another good year for charitable gambling—and the impact it makes—in Minnesota!

Gambling Control Board: Mission and Members

The Minnesota Gambling Control Board provides the resources and regulation needed to make Minnesota’s charitable (lawful) gambling industry—the largest in the nation—successful.

Their work includes:

- an in-depth licensing process
- monitoring of licensees’ gambling activities and expenditures
- providing education and technical assistance to our clientele regarding a wide range of licensing and compliance questions
- conducting compliance audits of organizations’ operations
- inspections of lawful gambling sites
- investigations of alleged misconduct, theft, and fraud
- referring criminal cases to the Department of Public Safety
- monitoring daily electronic game activity
- testing all electronic and paper games made available for play in Minnesota
- provide continuing education
- multi-day training for new gambling managers
- facilitating the mentoring program
- maintaining the publication library
- maintaining and upgrading the agency website

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	Governor	June 30, 2025
James Nardone, Vice Chair	Governor	June 30, 2028
Mike Sundin, Secretary	Governor	June 30, 2026
Al deJesus	Governor	June 30, 2027
Bill English	Attorney General	(filling vacancy)
Doug Forsman	Public Safety	June 30, 2027
Kate Luthner	Governor	June 30, 2028



Types of Games

Paper Pull-tab: Typically a multi-ply card (ticket) with perforated break-open tabs concealing symbols. A paper pull-tab game contains a set number of total tickets (usually 3500) and a set number of winning tickets.

Electronic Pull-tab: Essentially a paper pull-tab ticket displayed and opened on a hand-held computer. Each game has a finite set of tickets and winners just like paper pull-tabs.

Paper Bingo: Includes all bingo except for linked bingo games conducted on electronic devices.

Electronic Bingo: Bingo conducted simultaneously at multiple permitted premises by an electronic linked bingo provider. Each participating organization receives a share of the profits based on the gross receipts at their premises.

Sports Tipboard: Contains a grid of predesignated numbers. The winning numbers are determined by the numerical outcome of a professional sporting event—mostly football.

Non-sports Tipboard: A game similar to pull-tabs that has a winning number or symbol hidden under a seal on the tipboard flare. Traditionally, tipboard games are most often played with folded and banded tickets.

Paddlewheel with a Table: This game is played with a large paddlewheel with a variety of different wagering options. Players make their wagers by completing paddleticket cards that are placed in slots on the paddlewheel table.

Paddlewheel without a Table: This game is usually played with a smaller 30-number wheel. Players purchase numbered paddletickets and the winner is determined by which number the spinning wheel eventually lands on. Meat packages are often offered as prizes for paddlewheel without a table.

Raffle: Typically, the player purchases a perforated ticket with a matching number on the ticket and stub portions. Players keep the ticket portion, and the stubs are kept by the organization and placed into a receptacle. The player wins if their ticket matches the number of a stub that's been randomly drawn from the receptacle.

