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# Annual Report of the Minnesota Gambling Control Board



Fiscal Year  
2001

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Minn. Stat. 349.151 Subd. 4

## Message from the Board Chair and Executive Director

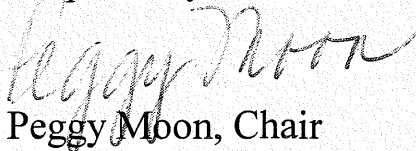
The mission of the Gambling Control Board (Board) is to regulate lawful gambling in Minnesota, so that citizens are assured of the integrity of the industry and nonprofit organizations may continue to raise funds for charitable contributions.

The Board continues to provide education, outreach, and guidance to the lawful gambling industry through its ongoing programs, including:

- continuing education classes throughout the state,
- gambling manager seminars,
- an individualized mentoring program,
- a comprehensive website,
- a monthly newsletter, and
- compliance reviews and site inspections.

This annual report provides information for the 2001 fiscal year of July 1, 2000, through June 30, 2001. Portions of the data were obtained from the Minnesota Department of Revenue.

Respectfully submitted,



Peggy Moon, Chair



Tom Barrett, Executive Director

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## Gambling Control Board Members and Staff

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 prevent its commercialization, to insure the integrity of operations, and to provide for the use of net profits only for lawful purposes."

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

Members*	City	Appointed by	Term
Peggy Moon, Chair	St. Joseph	Governor	7/97 to 6/01
Howard Register, Vice Chair	Inver Grove Heights	Public Safety	7/99 to 6/03
Don McHale, Secretary	Nisswa	Governor	7/98 to 6/02
Dennis Flaherty	St. Paul	Attorney General	7/99 to 6/03
Rocky Fontana	Minneapolis	Governor	8/98 to 6/02
James Hynes	St. Paul	Governor	1/01 to 6/04
William Barbknecht	Underwood	Governor	1/01 to 6/04

**Board Counsel**

E. Joseph Newton, Assistant Attorney General  
 Peter Marker, Assistant Attorney General

**Executive Director**

Tom Barrett

FY 2001 budget: \$2,244,000  
 Board staff: 34

\*Reflects Board members and terms during FY01.

# Statement of Cash Receipts and Overview

## Cash Receipts

Category	Amount	Total Collected
Manufacturer License	\$5,000	\$ 45,000
Distributor License	3,500	59,500
Bingo Hall License	2,500	32,500
Organization License	none	0
Gambling Manager License	200	84,400
Premises Permit		
Class A (bingo, paddlewheels, pull-tabs, tipboards, raffles)	400	34,000
Class B (paddlewheels, pull-tabs, tipboards, raffles)	250	191,250
Class C (bingo only, or bingo and pull-tabs under \$50,000 gross receipts per year)	200	3,000
Class D (raffles only)	150	1,050
Excluded Permit (limited bingo, less than \$750 value in cumulative raffle prizes)	none	0
Exempt Permit (up to 5 days of activity, total prizes valued at \$50,000 or less)	25	<u>61,950</u>
	Total license and permit fees	\$512,650
	Total civil penalties and fines	vary <u>\$72,200</u>
	<b>Total fees and penalties collected</b>	<b>\$584,850</b>

## Industry Overview

During fiscal year 2001, the Minnesota lawful gambling industry consisted of:

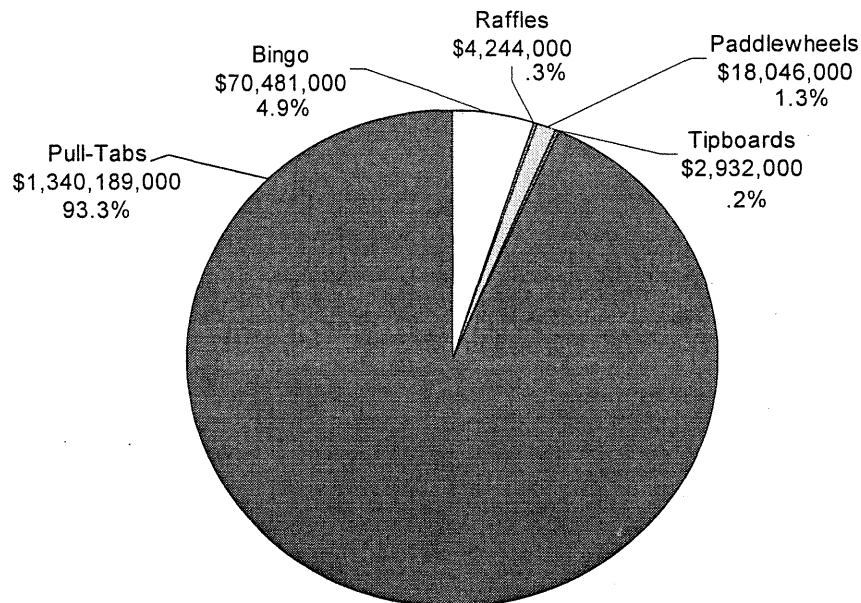
<u>Licensees and Activities</u>	<u>Description</u>																		
8 manufacturers	Sold product to licensed distributors.																		
17 distributors	Sold product to nonprofit lawful gambling organizations.																		
18 bingo halls	Lawful gambling is conducted by organizations at licensed bingo halls.																		
1,531 nonprofit organizations	Licensed organizations conduct gambling at permitted premises.																		
	<table border="1"> <thead> <tr> <th><u>Type of Organization</u></th> <th><u>Number</u></th> <th><u>Percent</u></th> </tr> </thead> <tbody> <tr> <td>FRATERNAL - Lions, Eagles &amp; Auxiliary, Moose, Elks, Knights of Columbus</td> <td>234</td> <td>15%</td> </tr> <tr> <td>VETERANS - American Legion &amp; Auxiliary, VFW &amp; Auxiliary</td> <td>416</td> <td>27%</td> </tr> <tr> <td>RELIGIOUS - Church/Cathedral</td> <td>41</td> <td>3%</td> </tr> <tr> <td>OTHER NONPROFIT - Fire relief, hockey, Jaycees, baseball, athletic, business/chamber/development, sportsman, rod and gun, snowmobile, community, other</td> <td>840</td> <td>55%</td> </tr> <tr> <td><b>TOTAL:</b></td> <td><u>1,531</u></td> <td><u>100%</u></td> </tr> </tbody> </table>	<u>Type of Organization</u>	<u>Number</u>	<u>Percent</u>	FRATERNAL - Lions, Eagles & Auxiliary, Moose, Elks, Knights of Columbus	234	15%	VETERANS - American Legion & Auxiliary, VFW & Auxiliary	416	27%	RELIGIOUS - Church/Cathedral	41	3%	OTHER NONPROFIT - Fire relief, hockey, Jaycees, baseball, athletic, business/chamber/development, sportsman, rod and gun, snowmobile, community, other	840	55%	<b>TOTAL:</b>	<u>1,531</u>	<u>100%</u>
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OTHER NONPROFIT - Fire relief, hockey, Jaycees, baseball, athletic, business/chamber/development, sportsman, rod and gun, snowmobile, community, other	840	55%																	
<b>TOTAL:</b>	<u>1,531</u>	<u>100%</u>																	
1,746 gambling managers	Gambling managers are members of licensed nonprofit organizations responsible for supervising the conduct of organizations' lawful gambling operations.																		
3,513 premises permits	1,531 licensed nonprofit organizations were issued 3,513 premises permits.																		
1,817 exempt organizations	Permitted organizations conduct limited gambling up to five days per calendar year. In fiscal year 2001, exempt organizations conducted 2,497 activities.																		
848 excluded organizations	Nonprofit organizations may apply for authorization to conduct excluded raffle or bingo activities. In fiscal year 2001, 1,108 excluded activities were conducted.																		

# Lawful Gambling Statistics

## Fiscal Year 2001 Summary

ACTIVITY	Gross Receipts (sales)		Prizes Paid FY 2001	Net Receipts (gross less prizes)		% Payout	
	FY 2001	% Change from FY00		FY 2001	% Change from FY00	FY01	FY00
Bingo	\$ 70,481,000	- 8.6	\$ 54,203,000	\$ 16,278,000	- 0.3	76.9	78.8
Raffles	4,244,000	+ 5.7	2,291,000	1,953,000	+ 4.2	54.0	53.3
Paddlewheels	18,046,000	+ 8.0	14,888,000	3,158,000	+ 7.7	82.5	82.5
Tipboards	2,932,000	-15.1	1,832,000	1,100,000	-18.9	62.5	60.7
Pull-Tabs	1,340,189,000	- 4.1	1,101,276,000	238,913,000	- 4.8	82.2	82.0
Interest Income	711,000	+ 4.4	- 0 -	711,000	+ 4.4		
<b>TOTALS</b>	<b>\$ 1,436,603,000</b>	<b>- 4.2</b>	<b>\$ 1,174,490,000</b>	<b>\$ 262,113,000</b>	<b>- 4.4</b>	<b>81.8</b>	<b>81.8</b>

### Lawful Gambling Activity



### Ten-Year Comparison

(percent change from previous fiscal year)

FY	Gross Receipts		Prizes Paid		Net Receipts	
01	\$1,436,603,000	-4.2%	\$1,174,490,000	-4.2%	\$262,113,000	-4.4%
00	1,500,042,000	+3.5%	1,225,813,000	+3.8%	274,229,000	+2.2%
99	1,449,055,000	+3.0%	1,180,608,000	+3.1%	268,447,000	+2.6%
98	1,407,137,000	+4.0%	1,145,509,000	+4.3%	261,628,000	+2.8%
97	1,352,740,000	-1.3%	1,098,294,000	-1.0%	254,446,000	-2.3%
96	1,369,932,000	+0.7%	1,109,528,000	+0.6%	260,404,000	+1.2%
95	1,359,843,000	+7.6%	1,102,514,000	+7.6%	257,329,000	+7.4%
94	1,263,882,000	+0.4%	1,024,322,000	+0.7%	239,560,000	-0.8%
93	1,258,417,000	+2.2%	1,016,963,000	+2.1%	241,454,000	+2.5%
92	1,231,807,000	-3.3%	996,129,000	-4.0%	235,678,000	-0.4%

# Lawful Purpose Expenditures

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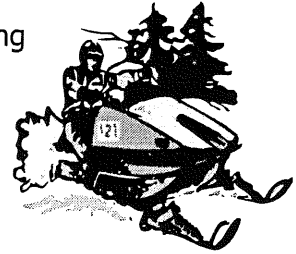
Organizations may contribute for lawful purpose expenditures (contributions) in the following categories.



Youth activities



Grooming and maintaining snowmobile and all-terrain vehicle trails approved by the Department of Natural Resources



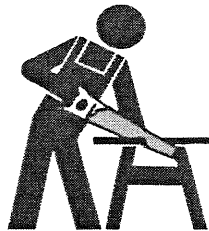
Programs recognizing military service or humanitarian service



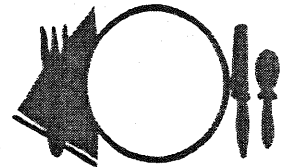
Scholarship funds, and private or public nonprofit educational institutions



Board-approved repair and maintenance projects of organizations' buildings



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



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



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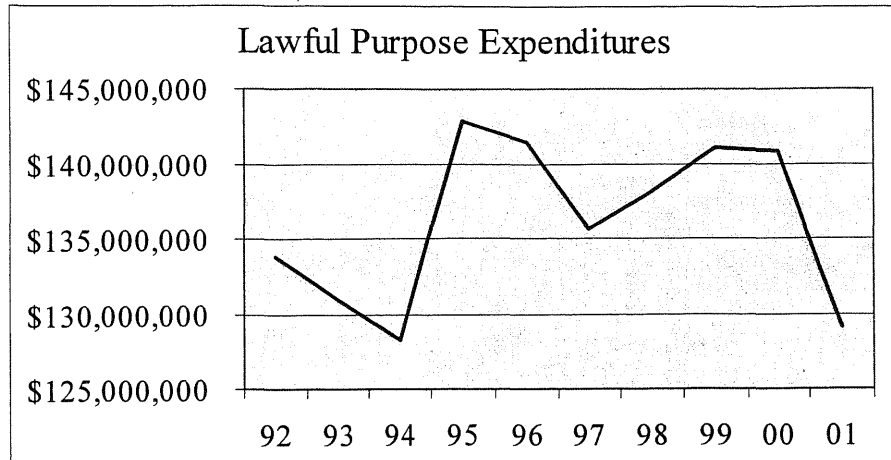
## Other Lawful Purpose Expenditure Categories

- Community arts organizations or program sponsorships
- Religious purposes
- Donations to or by nonprofit organizations designated by the Internal Revenue Service as 501(c)(3) organizations or as 501(c)(4) festival organizations
- Relieving effects of poverty, homelessness, physical or mental disabilities
- Treatment for compulsive gambling or posttraumatic stress syndrome
- State-agency approved wildlife management projects
- Cost of audit of the lawful gambling financial records
- Real estate taxes within defined limits
- State, local, and federal gambling taxes

# Lawful Purpose Expenditures

## Ten-Year Comparison

01	\$129,153,000
00	\$140,841,000
99	\$141,071,000
98	\$138,176,000
97	\$135,632,000
96	\$141,427,000
95	\$142,878,000
94	\$128,225,000
93	\$130,852,000
92	\$133,760,000



## Lawful Purpose Expenditures

	<u>FY 2001</u>	<u>FY 2000</u>	<u>% Change</u>
Charitable Contributions	\$ 73,252,000	\$ 78,285,000	- 6.4%
State Gambling Taxes Paid	55,901,000	62,556,000	-10.6%
Gross Receipts State Tax	22,650,000	25,348,000	-10.6%
Net Receipts State Tax	1,870,000	1,964,000	- 4.8%
Combined Receipts State Tax	31,381,000	35,244,000	-11.0%
<b>TOTALS</b>	<b>\$ 129,153,000</b>	<b>\$ 140,841,000</b>	<b>- 8.3%</b>

## State Gambling Taxes

	<u>Taxes Paid</u>	<u>Refund*</u>	<u>Taxes After Refund</u>
01	\$62,147,000	\$6,246,000	\$55,901,000
00	68,765,000	6,209,000	62,556,000
99	68,709,000	6,088,000	62,621,000
98	68,828,000	5,780,000	63,048,000
97	64,717,000	2,700,000	62,017,000
96	65,849,000		
95	64,773,000		
94	57,487,000		
93	57,476,000		
92	54,870,000		

The three state gambling taxes included as lawful purpose expenditures are:

Gross Receipts Taxes: 1.7 percent of the gross receipts on pull-tab and tipboard games. (Previously 1.8 %)

Net Receipts Taxes: 8.5 percent on the net receipts on bingo, raffles, and paddlewheels. (Previously 9.0 %)

Combined Receipts Taxes: A progressive tax calculated on the gross receipts from pull-tab games, tipboards, and interest.

\* Refund on unsold pull-tab and tipboard tickets, effective 7/1/96.

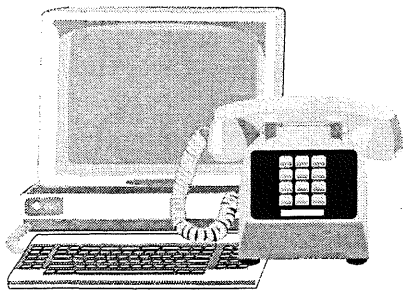
# Allowable Expenses

An allowable expense is an expense or a proportion of an expense directly related to the conduct of lawful gambling. Organizations are allowed to spend up to 55 percent of net receipts toward these types of operating costs. A higher limit is authorized for the net receipts from bingo.

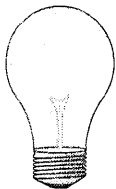
Allowable expenses as reported to the Department of Revenue included:

Operating Cost	FY01	FY00	% Change
Compensation and payroll taxes	\$ 65,335,000	\$65,072,000	+ 0.4
Gambling equipment (pull-tabs, bingo paper, tipboards, paddletickets)	25,900,000	27,233,000	- 4.9
Rent	23,242,000	21,972,000	+ 5.8
Accounting and legal work	5,690,000	5,892,000	- 3.4
Office supplies and misc. expenses	5,823,000	5,582,000	+ 4.3
Gambling device purchase (paddlewheel, paddlewheel table, bingo selection device, pull-tab dispensing device), storage, and maintenance	3,015,000	3,016,000	0.0
Cash shortages (see next page)	2,002,000	2,190,000	- 8.6
Utilities	1,655,000	1,577,000	+ 4.9
Bond, license, permits	486,000	1,177,000	-58.7 <sup>1</sup>
Advertising	548,000	557,000	- 1.6
Theft and liability insurance	623,000	500,000	+ 24.6

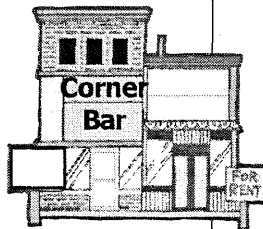
<sup>1</sup> Percent change due to two-year licensing cycle.



Office Supplies



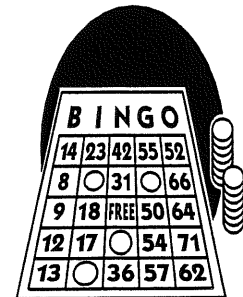
Utilities



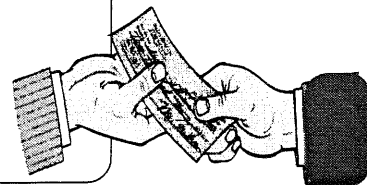
Rent

## Ten-Year Comparison of Allowable Expenses

01	\$132,960,000
00	\$133,388,000
99	\$127,376,000
98	\$123,452,000
97	\$118,814,000
96	\$118,977,000
95	\$114,451,000
94	\$111,335,000
93	\$110,602,000
92	\$101,918,000



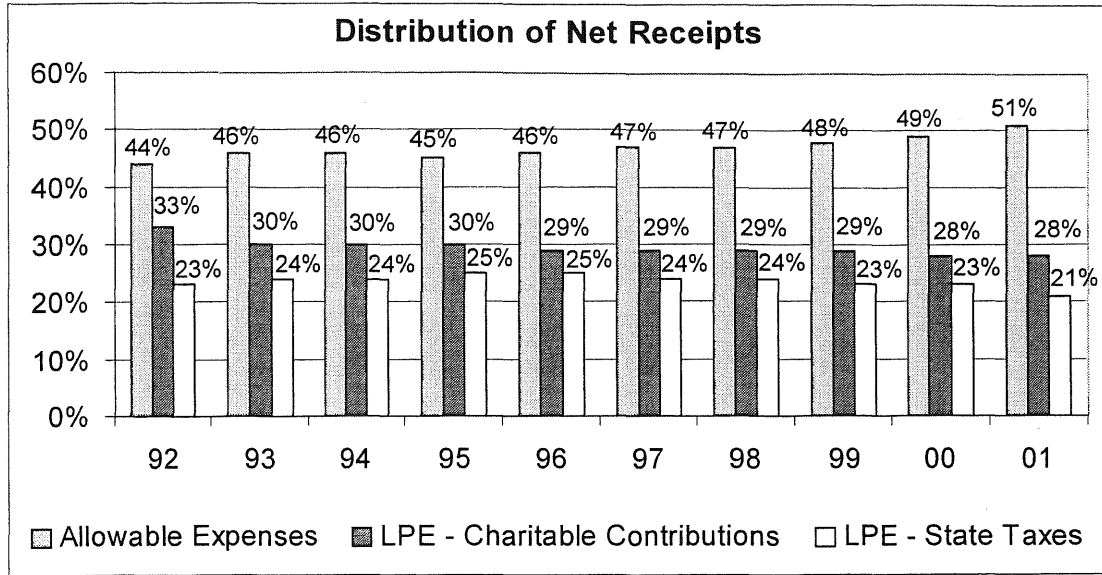
Gambling Equipment



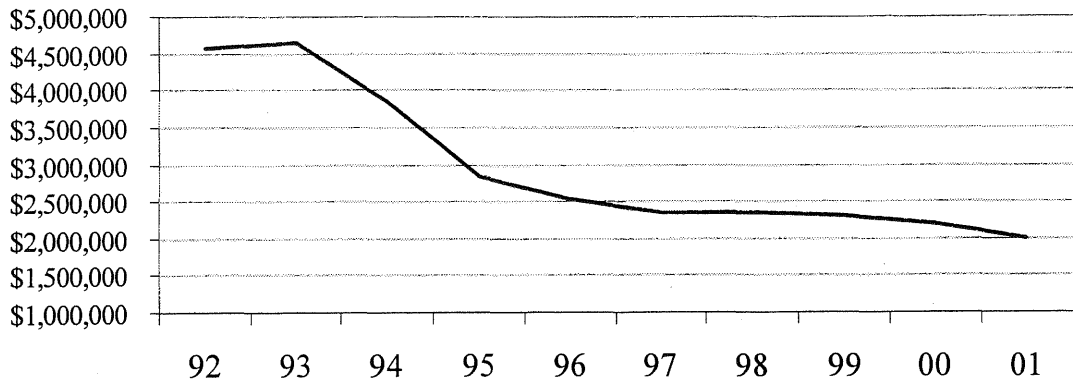
Compensation



# Lawful Gambling Statistics



## Cash Shortages



### Cash Shortages (before reimbursement)

<u>FY</u>	<u>Cash Shortages</u>	<u>Industry Average *</u>
01	\$2,002,000	0.14%
00	2,190,000	0.15%
99	2,311,000	0.16%
98	2,338,000	0.17%
97	2,341,000	0.17%
96	2,528,000	0.18%
95	2,822,000	0.21%
94	3,848,000	0.30%
93	4,631,000	0.37%
92	4,572,000	0.37%

A cash shortage is the difference between the reported net receipts for a game and the actual cash on hand to be deposited for that game.

For reporting purposes effective 8/1/95, shortages may not exceed three-tenths of one percent (.3%) of gross receipts (sales) and are treated as an allowable expense.

The Board closely monitors cash shortages because shortages may indicate theft or mismanagement.

\* Average organization shortage level for gross receipts

# Lawful Gambling Activity by County

COUNTY	GROSS			NET		
	RECEIPTS		% CHANGE	RECEIPTS		% CHANGE
	FY01	FY00	since FY00	FY01	FY00	since FY00
Aitkin	\$ 12,368,000	\$ 11,076,000	11.7%	\$ 2,090,000	\$ 1,891,000	10.5%
Anoka	101,905,000	102,890,000	- 1.0%	18,375,000	18,785,000	- 2.2%
Becker	13,725,000	14,651,000	- 6.3%	2,342,000	2,504,000	- 6.5%
Beltrami	9,751,000	10,157,000	- 4.0%	1,725,000	1,865,000	- 7.5%
Benton	10,648,000	10,547,000	1.0%	1,946,000	1,908,000	2.0%
Big Stone	508,000	605,000	- 16.0%	100,000	106,000	- 5.7%
Blue Earth	23,317,000	24,755,000	- 5.8%	5,221,000	5,483,000	- 4.8%
Brown	7,451,000	7,150,000	4.2%	1,213,000	1,218,000	- 0.4%
Carlton	6,797,000	6,982,000	- 2.6%	1,044,000	1,116,000	- 6.5%
Carver	13,240,000	13,440,000	- 1.5%	2,366,000	2,406,000	- 1.7%
Cass	10,371,000	11,568,000	- 10.3%	1,778,000	2,052,000	- 13.4%
Chippewa	5,888,000	5,665,000	3.9%	936,000	903,000	3.7%
Chisago	12,134,000	12,745,000	- 4.8%	2,064,000	2,158,000	- 4.4%
Clay	12,492,000	11,608,000	7.6%	2,333,000	2,140,000	9.0%
Clearwater	5,050,000	4,484,000	12.6%	861,000	773,000	11.4%
Cook	0	0		0	0	
Cottonwood	2,683,000	2,703,000	- 0.7%	466,000	464,000	0.4%
Crow Wing	37,230,000	42,104,000	- 11.6%	6,804,000	7,636,000	- 10.9%
Dakota	80,530,000	84,045,000	- 4.2%	15,114,000	15,440,000	- 2.1%
Dodge	3,821,000	3,727,000	2.5%	676,000	656,000	3.0%
Douglas	20,057,000	19,761,000	1.5%	3,083,000	3,078,000	0.2%
Faribault	4,966,000	5,488,000	- 9.5%	877,000	993,000	- 11.7%
Fillmore	5,128,000	5,663,000	- 9.4%	970,000	1,082,000	- 10.4%
Freeborn	12,459,000	13,161,000	- 5.3%	2,320,000	2,480,000	- 6.5%
Goodhue	11,261,000	11,180,000	0.7%	1,917,000	1,938,000	- 1.1%
Grant	4,836,000	5,258,000	- 8.0%	660,000	767,000	- 14.0%
Hennepin	227,074,000	239,946,000	- 5.4%	43,610,000	46,385,000	- 6.0%
Houston	6,359,000	7,541,000	- 15.7%	1,263,000	1,515,000	- 16.6%
Hubbard	12,207,000	11,324,000	7.8%	1,498,000	1,480,000	1.2%
Isanti	8,632,000	8,594,000	0.4%	1,481,000	1,461,000	1.4%
Itasca	17,012,000	22,010,000	- 22.7%	2,853,000	3,568,000	- 20.0%
Jackson	1,049,000	905,000	15.9%	193,000	172,000	12.2%
Kanabec	4,045,000	4,320,000	- 6.4%	750,000	788,000	- 4.8%
Kandiyohi	8,551,000	8,930,000	- 4.2%	1,515,000	1,587,000	- 4.5%
Kittson	2,041,000	1,750,000	16.6%	333,000	261,000	27.6%
Koochiching	6,251,000	6,039,000	3.5%	1,073,000	1,025,000	4.7%
Lac Qui Parle	1,173,000	1,330,000	- 11.8%	210,000	237,000	- 11.4%
Lake	3,132,000	3,314,000	- 5.5%	521,000	529,000	- 1.5%
Lake of the Woods	5,334,000	5,046,000	5.7%	865,000	785,000	10.2%
Le Sueur	10,942,000	12,284,000	- 10.9%	1,953,000	2,166,000	- 9.8%
Lincoln	1,516,000	1,544,000	- 1.8%	334,000	340,000	- 1.8%
Lyon	2,963,000	3,029,000	- 2.2%	583,000	618,000	- 5.7%
Mahnomen	571,000	28,000	1939.3%	73,000	6,000	1116.7%
Marshall	4,222,000	4,532,000	- 6.8%	655,000	700,000	- 6.4%
Martin	7,320,000	6,263,000	16.9%	1,305,000	1,169,000	11.6%

## Lawful Gambling Activity by County

COUNTY	GROSS			NET		
	RECEIPTS		% CHANGE since FY00	RECEIPTS		% CHANGE since FY00
	FY01	FY00		FY01	FY00	
McLeod	\$ 13,369,000	14,468,000	- 7.6%	\$ 2,286,000	\$ 2,481,000	- 7.9%
Meeker	5,794,000	6,495,000	- 10.8%	1,092,000	1,239,000	- 11.9%
Mille Lacs	15,720,000	15,419,000	2.0%	2,759,000	2,650,000	4.1%
Morrison	23,138,000	24,531,000	- 5.7%	3,917,000	4,207,000	- 6.9%
Mower	13,590,000	13,919,000	- 2.4%	2,653,000	2,764,000	-4.0%
Murray	1,589,000	2,020,000	- 21.3%	298,000	391,000	- 23.8%
Nicollet	5,337,000	7,122,000	- 25.1%	1,022,000	1,339,000	- 23.7%
Nobles	2,338,000	2,536,000	- 7.8%	440,000	494,000	- 10.9%
Norman	1,965,000	2,160,000	- 9.0%	293,000	331,000	- 11.5%
Olmsted	21,971,000	20,337,000	8.0%	4,633,000	4,206,000	10.2%
Otter Tail	22,044,000	22,394,000	- 1.6%	3,785,000	3,900,000	- 2.9%
Pennington	6,886,000	7,025,000	- 2.0%	1,191,000	1,229,000	- 3.1%
Pine	11,257,000	11,917,000	- 5.5%	1,998,000	2,190,000	- 8.8%
Pipestone	308,000	274,000	12.4%	82,000	62,000	32.3%
Polk	20,517,000	23,081,000	- 11.1%	3,279,000	3,716,000	- 11.8%
Pope	5,934,000	6,197,000	- 4.2%	1,061,000	1,094,000	-3.0%
Ramsey	137,127,000	146,248,000	- 6.2%	27,684,000	29,299,000	- 5.5%
Red Lake	1,777,000	1,984,000	- 10.4%	259,000	295,000	- 12.2%
Redwood	2,447,000	2,304,000	6.2%	420,000	398,000	5.5%
Renville	4,107,000	4,484,000	- 8.4%	686,000	763,000	- 10.1%
Rice	17,042,000	18,420,000	- 7.5%	3,306,000	3,634,000	- 9.0%
Rock	1,488,000	1,334,000	11.5%	259,000	236,000	9.7%
Roseau	4,781,000	4,865,000	- 1.7%	786,000	802,000	- 2.0%
Scott	20,615,000	24,150,000	- 14.6%	3,605,000	4,238,000	- 14.9%
Sherburne	32,058,000	33,524,000	- 4.4%	5,559,000	5,810,000	- 4.3%
Sibley	5,298,000	5,932,000	- 10.7%	871,000	982,000	- 11.3%
St. Louis	72,375,000	74,810,000	- 3.3%	11,014,000	11,620,000	- 5.2%
Stearns	52,281,000	55,382,000	- 5.6%	10,680,000	11,034,000	- 3.2%
Steele	11,874,000	9,841,000	20.7%	2,106,000	1,775,000	18.6%
Stevens	2,674,000	2,635,000	1.5%	486,000	464,000	4.7%
Swift	3,714,000	3,993,000	- 7.0%	635,000	674,000	- 5.8%
Todd	9,928,000	9,113,000	8.9%	1,696,000	1,557,000	8.9%
Traverse	559,000	791,000	- 29.3%	94,000	144,000	- 34.7%
Wabasha	10,570,000	11,448,000	- 7.7%	1,899,000	2,045,000	- 7.1%
Wadena	5,057,000	5,824,000	- 13.2%	861,000	984,000	- 12.5%
Waseca	8,089,000	7,674,000	5.4%	1,407,000	1,350,000	4.2%
Washington	41,971,000	42,533,000	- 1.3%	8,026,000	7,999,000	0.3%
Watonwan	2,948,000	3,758,000	- 21.6%	530,000	683,000	- 22.4%
Wilkin	1,316,000	1,292,000	1.9%	214,000	216,000	- 0.9%
Winona	17,884,000	20,069,000	- 10.9%	3,624,000	4,060,000	- 10.7%
Wright	36,374,000	34,609,000	5.1%	6,184,000	5,944,000	4.0%
Yellow Medicine	1,608,000	2,872,000	- 44.0%	300,000	498,000	- 39.8%
<b>TOTALS</b>	<b>\$ 1,436,729,000</b>	<b>\$1,499,926,000</b>	<b>- 4.2%</b>	<b>\$262,329,000</b>	<b>\$274,431,000</b>	<b>- 4.4%</b>

Note: Variances in totals compared to yearly activity are attributed to reports being generated at different times and rounding of figures.

# Legislative Changes

The following changes resulting from the 2001 session of the Minnesota State Legislature were effective May 16, 2001.

<b>Legislative Change</b>	<b>Description</b>
<b>Reimbursement for Military Events in Contiguous States</b>	Members of military marching, color guard, or honor guard units may be reimbursed for participating in color guard, honor guard, or marching unit events in states contiguous to (bordering) Minnesota—as well as within Minnesota. The reimbursement amount remains the same at up to \$35 per participant per occasion. [Minnesota Statute 349.12, subd. 25(a)(6)(iii)]
<b>Annual Audits and Financial Reviews</b>	<ol style="list-style-type: none"><li>1. Organizations with gambling gross receipts of less than \$150,000 are not required to have an annual audit or financial review (was \$50,000). (All organizations are required to file monthly tax reports with the Department of Revenue.)</li><li>2. Organizations with gambling gross receipts of \$150,000 to \$300,000 are required to have a financial review (was \$50,000 to \$250,000).</li><li>3. Organizations with gambling gross receipts of \$300,000 or more are required to have an annual audit (was \$250,000).</li></ol> [Minnesota Statute 297E.06, subd. 4(a)]
<b>Annual Audit and Financial Review – Payment as LPE</b>	The entire cost of a required annual audit or financial review is now a lawful purpose expenditure (LPE), provided the annual audit or financial review is filed in a timely manner with the Department of Revenue. Previously, only one-half of the cost was allowed as a lawful purpose expenditure and one-half was an allowable expense. [Minnesota Statute 349.12, subd. 25(a)(12)]
<b>All-Terrain Vehicle Trails Included as LPE</b>	The section providing for the grooming and maintaining of snowmobile trails as a lawful purpose expenditure is expanded to include all-terrain vehicle trails. [Minnesota Statute 349.12 subd. 25 (a)(14)]
<b>Natural Disaster Relief – Authorization Process</b>	Organizations may spend net profits to relieve the effects of a natural disaster without prior membership approval if the contribution is: <ol style="list-style-type: none"><li>1. a lawful purpose as defined under Minnesota Statute 349.12, subd. 25 (An example of a lawful purpose authorized under Minnesota Statute 349.12, subd. 25 would be code A-2, a contribution to an individual to relieve the effects of homelessness or poverty caused by a natural disaster.)</li><li>2. authorized by the organization’s chief executive officer and gambling manager, and</li><li>3. approved by the membership at the next monthly meeting. If the contribution is not approved by the membership at its next monthly meeting, the organization must reimburse its gambling account in the amount of the contribution. [Minnesota Statute 349.15, subd. 1a]</li></ol>
<b>Bingo Expense Calculation Formula Changed</b>	Up to 70 percent (less tax imposed) of the gross profits from bingo may be expended for allowable expenses. The previous limitation was 65 percent (less tax imposed). [Minnesota Statute 349.15, subd. 1]
<b>Employee Registration – Information Required</b>	Applicants for lawful gambling employment will now be required to provide a date of birth. [Minnesota Statute 349.168, subd. 1]
<b>Checks to Purchase Raffle Tickets Allowed</b>	Organizations may now accept checks for the purchase of raffle tickets. If the check bounces, however, the organization must reimburse its gambling account from nongambling funds within 30 days of receiving notice of the dishonored check. Bingo, pull-tabs, paddlewheels and tipboards are still conducted on a cash only basis. [Minnesota Statute 349.2127, subd. 7]

<b>Legislative Change</b>	<b>Description</b>
<b>Illegal Gambling Changes</b>	<ol style="list-style-type: none"> <li>1. The statute involving penalties for illegal gambling was amended. The section now reads, "The board may not deny, suspend, revoke, or refuse to renew an organization's premises permit because illegal gambling occurred at the site for which the premises permit was issued, unless the board determines that: (1) the organization knowingly participated in the illegal gambling; or (2) the organization or any of its agents knew of the illegal gambling and the organization did not notify the lessor of the premises, in writing and with specificity, that illegal gambling was being conducted on the premises and requesting that the lessor take appropriate action."</li> <li>2. An agent of an organization is defined as any person, paid or volunteer, who participates in the conduct of the organization's lawful gambling.</li> <li>3. The Gambling Control Board may not deny, suspend, revoke, or refuse to renew an organization's license because illegal gambling occurred at a site for which a premises permit was issued to the organization, unless the Board determines that the chief executive officer, gambling manager, or assistant gambling manager participated in or authorized the illegal gambling. [Minnesota Statute 349.155, subd. 4a]</li> </ol>
<b>Noon Hour Bingo Approved</b>	<p>Organizations may now conduct noon hour bingo if:</p> <ul style="list-style-type: none"> <li>• the bingo is conducted between 11:00 a.m. and 2:00 p.m.,</li> <li>• the bingo is conducted at owned or leased sites licensed to sell intoxicating beverages,</li> <li>• the bingo is limited to one progressive bingo game per site,</li> <li>• the bingo is conducted using only bingo paper sheets (no hard cards), and</li> <li>• the rent for a leased premise does not exceed \$25 per day for each day bingo is conducted.</li> </ul> <p>"Noon hour bingo" is bingo that is not subject to the restrictions of Minnesota Statute 349.17, subd. 1 regarding the number and length of bingo occasions, or the restrictions of Minnesota Statute 349.17, subd. 3, which states that each bingo winner must be determined and every prize shall be awarded and delivered the same day on which the occasion is conducted. [Minnesota Statute 349.17, subd. 7]</p>
<b>Local Ten Percent Fund Clarified</b>	<p>A city or county may require an organization to contribute up to ten percent of net profits "per year" (new language) to a fund from which the city or county disburses the receipts for lawful purposes or for police, fire, and other emergency or public safety-related services, equipment, and training, excluding pensions. [Minnesota Statute 349.213, subd. 1]</p>
<b>Local Gambling Tax Clarified</b>	<p>A city or county may impose a local gambling tax up to 3 percent of an organization's gross profits "per year" (new language) to cover the costs to regulate gambling in its jurisdiction. [Minnesota Statute 349.213, sub. 3]</p>
<b>Local Resolution Approval Period Extended</b>	<p>The period of time for cities or counties to adopt a resolution approving an organization's premises permit application is within 90 days of the date that the application is received by the Gambling Control Board. Previously, the resolution had to be adopted within 60 days of receipt of the application by the Gambling Control Board. [Minnesota Statute 349.213, subd. 2]</p>

# Legislative Changes (continued)

The 2001 Legislature adjourned from a special session on June 30, 2001. The special session focused on the passage of a comprehensive tax plan and major spending bills for state agencies. The following summary identifies changes that involved lawful gambling, which became effective on July 1, 2001.

## Legislative Change

## Description

### **Tax Savings Calculation and Reporting Eliminated**

The legislature eliminated the requirement that organizations must calculate their tax savings each year and report that amount to the Gambling Control Board on the February Schedule C/D-LG1010.

### **Premises Permit Fees Changed and Expiration Date Clarified**

During the special session, the legislature clarified premises permit expiration dates. Premises permits expire on the same day as an organization license-- unless the premises permit is suspended, revoked, or voluntarily terminated by the organization. Fees were also reduced, if a premises permit is added during the second year of an organization's license.

PREMISES PERMIT	FEES FOR PERMITS	
	2-year	If added in 2nd year
Class A - Pull-tabs, tipboards, paddlewheels, raffles, bingo	\$400	\$200
Class B - Pull-tabs, tipboards, paddlewheels, raffles	\$250	\$125
Class C - Bingo only <b>OR</b> bingo and pull-tabs when total gross receipts does not exceed \$50,000 per year	\$200	\$100
Class D - Raffles only	\$150	\$75

There were no rule changes in fiscal year 2001. However, the Board initiated a comprehensive review of Minnesota Rules, Chapters 7861 through 7865 on February 20, 2001 by authorizing the publication of a Request for Comments. The comprehensive authorization included all chapters of the Board's rules, and included previous authorizations to draft rules governing:

- the manufacturing standards for pull-tabs and jar tickets;
- qualifications for gambling managers; and
- tipboards with multiple seals.

The Request for Comments on the comprehensive rule review was published on March 5, 2001 in the State Register.

A Public Advisory Committee was appointed to advise the Board on the provisions of the rule and to comment on rule drafts as they become available. The Committee met with Board staff on six occasions to identify issues for inclusion in the rule review and to comment on proposed rule language.

There is no projected date at this time for publication of the proposed rules.

Written comments received on the proposed rules may be inspected at:

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

The Board will continue to receive comment on the rules until further notice is published in the State Register.

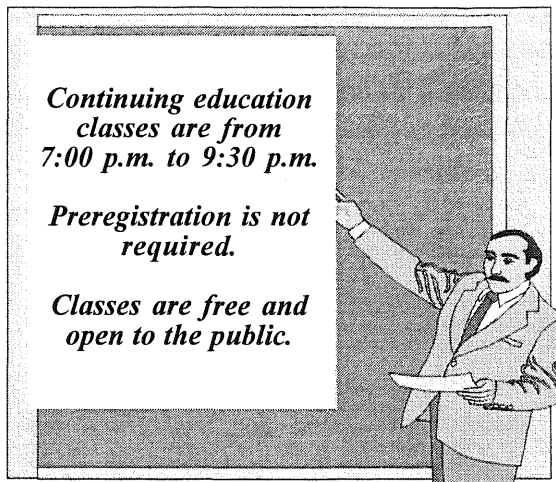
The Board's rulemaking docket and other rule-related notices may be accessed on our website at [www.gcb.state.mn.us](http://www.gcb.state.mn.us), or e-mail the rules coordinator at [sharon.beighley@gcb.state.mn.us](mailto:sharon.beighley@gcb.state.mn.us) for additional information.

# Education Program

An integral part of the Board's mission is educating the lawful gambling industry. To ensure the integrity of the industry, education is provided to organizations through the following opportunities.

## Continuing Education Classes

Gambling managers are required to attend one class during each year of their two-year license period. Continuing education classes are conducted at various locations throughout the state free of charge and are open to the public. The chief executive officer, members, and employees of the organizations are invited as well.



Staff conducted 67 classes during fiscal year 2001.

## Gambling Manager Seminars

Staff conducted 14 seminars during the fiscal year. Each seminar consisted of two days of training and included information on statutes, rules, conduct of lawful gambling, internal controls, reporting and licensing requirements, and the responsibilities of organizations conducting lawful gambling. An optional extra one-half day is provided for new 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. 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.

## Speaking Engagements

Staff participated in speaking engagements throughout the state at conferences and conventions, such as American Legion, VFW, Eagles, and Lions. Attending these functions allows the staff to reach a large number of people and provide up-to-date pertinent lawful gambling information.



## Gaming News

The Board publishes and distributes the monthly *Gaming News* newsletter free of charge to the chief executive officer of all licensees.

The newsletter provides up-to-date information regarding compliance, licensing, and education issues. *Gaming News* 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.



The *Lawful Gambling Manual* is a handy reference guide for CEO's, gambling managers, and organizations--whether new or experienced.

The *Manual* provides information on statute and rule requirements in an easy to understand format.

The *Manual* is divided into chapters that are easily referenced for:

- ✓ licensing requirements,
- ✓ the conduct for each form of lawful gambling: pull-tabs, bingo, paddlewheels, tipboards, and raffles,
- ✓ managing gambling equipment inventory,
- ✓ guidelines for the internal controls of the gambling operation including accounting and administrative controls, with a section on monthly oversight,
- ✓ how net receipts may be spent, and
- ✓ a study guide for new gambling managers.

# Education Program



The Board's website is used to help reach and educate the industry with the most current information on lawful gambling.

Organizations, gambling managers, and other interested persons may access the website for quick, independent access to important lawful gambling information--from licensing requirements, to statistics about gambling, to the most current forms an organization may need. The contents of the website include information in the following categories.

## Continuing Education Classes

Gambling managers are required by statute to attend one class during each year of their two-year license period. Members and employees of the organizations are invited as well. Classes are open to the public.

Monthly continuing education classes are conducted free of charge at various locations throughout the state. Current schedules for continuing education classes and a tentative schedule for each year are available on the website.

## Lawful Gambling Manual

The entire *Lawful Gambling Manual*--one of the Board's most important educational tools--is available from Minnesota's Bookstore. However, the first three chapters dealing with licensing requirements are contained in their entirety on the website.

## Local Units of Government

Cities and counties may access this section of the web site to learn more about their statutory authority to adopt more stringent lawful gambling regulations, charge investigations fees, impose local gambling taxes, and required reports that must be submitted to the Board. The reporting forms for cities and counties are available on the website.

## Annual Reports

The Board's annual reports for the past five years are available.

## Licensee Lists

A list of currently licensed manufacturers, distributors, and bingo halls is available, complete with license and phone numbers. Users of the Board's website can link directly to Minnesota's Bookstore for information on how to obtain a list of currently licensed organizations.

## Regulatory Requirements

Licensing and compliance requirements and forms are included in one location on the website. Persons needing more information can contact the license and compliance specialists assigned to each of the eighty-seven counties in Minnesota via e-mail links or by phone.

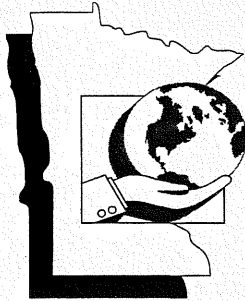
## Mentoring

Organizations in need of one-on-one training may access the Request for Mentoring form, including instructions on the steps to take to receive mentoring.



## Other Links

The website allows access to specific lawful gambling statutes and rules. Links to the Secretary of State's Office, Department of Revenue, Alcohol and Gambling Enforcement Division of Public Safety, and other state agencies are also available.



**"Everything you always  
wanted to know about  
lawful gambling..."**

can be found on the  
Board's website at

**[www.gcb.state.mn.us](http://www.gcb.state.mn.us)**

- ✓ **Board information**
- ✓ **Meeting dates**
- ✓ **Phone numbers**

**Get connected!**

- **Links to other agencies**
- **Link to legislature**
- **E-mail links to staff**
- **Automatic updates**

- **Education Information**
- **Training dates**
- **Request for Mentoring**

- ✓ **Licensing information**
- ✓ **Forms**
- ✓ **Lawful gambling statutes  
and rules**

- **List of Distributors**
- **List of Manufacturers**
- **List of Bingo Halls**

- **CEO Guidebook**
- **Restrictions on Who May Play**
- **Pull-tab Requirements**
- **Illegal Gambling**
- **Raffle Ticket Requirements**
- **Frequently Asked Bingo Questions**
- **Lawful Gambling Manual**
- **Gambling News**

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(large print, Braille) upon request. If you use a TTY, you can call us  
by using the Minnesota Relay Service at 1-800-627-3529 and  
ask to place a call to 651-639-4000.