



Charitable Gambling Control Board  
10 River Park Plaza  
Mail Station 3315  
St. Paul, MN 55146-3315

**ANNUAL REPORT  
OF THE  
CHARITABLE GAMBLING  
CONTROL BOARD**

**1989**

## INTRODUCTION

The Charitable Gambling Control Board experienced an unusual year. The first recognizable unusual experience was the reported growth in lawful gambling. With gross receipts of \$551,000,000 in Calendar Year 1987, the reported gross receipts in Calendar Year 1988 was \$856,000,000. That is an increase of 55%. The gambling activity which showed the greatest growth was pull-tabs. The gross receipts of pull-tabs alone in Calendar Year 1987 was \$457,000,000 and rose to \$735,000,000 in gross receipts in Calendar Year 1988. The amount of the increase of gross receipts reported was the result of an explosive growth in pull-tab action reported to the board.

The second experience was the reassignment of the staff and some of the duties of the Board to the Department of Revenue. On August 19, 1988, the Governor under Reorganization Order No. 152 made the transfer. The transfer was to provide the Board staff with the resources and the talents of the Department of Revenue in managing the flow of applications and reports, collecting taxes, managing information, and improve training of the licensees. When the Department moved into its new building at 10 River Park Plaza, the staff, which continues to serve the Board, moved into new quarters as the Division of Gaming. A complement of nine (9) was assigned to process applications, provide outreach and informational services, and to deal with policy matters. The balance of the complement of twenty-one (21) was distributed through the Department of Revenue to deal with gambling-related duties. The action by the Governor was the result of a study that the Board had requested to determine the best use of resources.

The Legislature demonstrated its concern for the regulation of gambling in two major pieces of legislation. The Legislature provided an increase in complement from fifteen (15) to twenty one (21) and increased the budget by \$250,000. The increase was to provide for the added staff and a computer system to be used to cross-check information. The cross-check system will be an invaluable tool in inventory control and auditing of distributors and organizations.

The other piece of legislation was the licensing of lessors of bingo halls. That new statute separates the lessor of the hall from any role in the conduct of gambling, and it directs that the organization be directly responsible for all gambling on the leased premises.

Part of the legislation which added to the complement of the Board added investigative staff to the Department of Revenue in the area of Special Taxes. Those investigators have a high level of professionalism and a dedication to their duties. Their presence strengthens the control of gambling; their performance has already had an impact.

The future of charitable gambling is unclear at this time. A referendum to amend the constitution to permit lotteries was passed by the electorate in 1988. If the Legislature and the Governor create a lottery, the effect that new gambling activity will have on charitable gambling is not clear.

## BOARD MEMBERS

<b>MEMBER</b>	<b>CITY</b>	<b>APPOINTMENT</b>
Ray Potami Chair of the Board	Side Lake	7/24/86
Lorraine Berman	Edina	7/24/86
Frank Dougherty Designee of Commissioner of Public Safety	St. Paul	10/13/84
Jane Elsen	Crystal	7/1/87
Rita Fassbinder	Minneapolis	10/13/84
Robert Fragnito	Nashwauk	7/24/86
Barbara Grove	Emily	8/1/85
Raymond Joachim	Jordan	3/5/87
Dorothy Meany	Minneapolis	7/1/85
Louis Murray	East Grand Forks	10/13/84
Rozann Prich	Plymouth	10/13/84
Gerald Wilhelm Designee of Attorney General	Fairmont	7/24/86
Mary Kay Williams	Minneapolis	7/24/86

### Board Counsel

Mary Magnuson, Special Assistant Attorney General

### Board Staff

#### **Staffing prior to reorganization of August 19, 1986**

Executive Secretary  
Chief Auditor Supervisor  
Office Services Supervisor III  
Senior Auditor (2)  
Intermediate Auditor (5)  
Executive I  
Clerk Typist III (2)  
Clerk Typist II (2)  
Data Entry Clerk

Budget \$976,785  
Complement - 21 (5 vacancies)

#### **Staffing after reorganization of August 19, 1986**

Executive Secretary  
Intermediate Auditor  
Executive I  
Clerk Typist III (2)  
Clerk Typist II

Budget \$273,280  
Complement - 13 (3 vacancies)

# FINANCIAL STATEMENT RECEIPTS

Calendar Year 1988  
January 1 - December 31, 1988

## License and Registration Fees

	<u>Number</u>	<u>Fee</u>	<u>Total</u>
Manufacturers	19	500	9,500
Distributors	44	1,500	66,000
Organizations			
Class A	897	100	89,700
Class B	2,419	50	120,950
Class C	148	50	7,400
Class D	19	25	475
			218,525

**Total License and Registration Fees**

**294,025**

## Registration Stamps

Permanent	1298	.05	65
Disposable	505,000	.05	25,250
<b>Total Registration Stamp Fees</b>			<b>25,315</b>

**TOTAL FEES**

**319,340**

# LAWFUL GAMBLING ACTIVITY

(in thousands)

Fiscal Year 1988  
July 1, 1987 - June 30, 1988

Activity	Gross Receipts	Prizes Awarded	Net Receipts	%*
Bingo	66,420	47,136	19,285	29
Raffles	2,579	1,448	1,131	44
Paddlewheels	1,673	1,323	349	21
Tipboards	41,956	34,335	7,620	18
Pull-tabs	600,680	490,248	110,432	18
Interest Income	707	0	707	
Other	-327	0	-327	19
<b>TOTALS</b>	<b>713,685</b>	<b>574,460</b>	<b>139,197</b>	
Less cash short pull-tabs after 12/31/86			-2,515	
<b>GROSS PROFIT</b>			<b>136,682</b>	

## ALLOWABLE EXPENSES

(in thousands)

		%**
Purchase of Supplies	15,806	31
Compensation	23,855	46
Purchases & Repairs of Gambling Equipment	1,434	3
Rent	6,302	12
Utilities	1,581	3
Theft Insurance	76	-
Advertising	423	-
License Renewals/Gambling Manager Bond	290	-
Accounting Services	1,295	
Investigation Fee	46	-
Liability Insurance	2	
<b>LESS TOTAL ALLOWABLE EXPENSES</b>	<b>\$1,110</b>	<b>-51.110</b>
<b>NET PROFIT</b> (available for lawful purpose expenditures)		<b>85,572</b>

## LAWFUL PURPOSE EXPENDITURES

The amount of money generated by lawful gambling to be used for lawful purpose expenditures (charitable contributions) in FY88 is \$85,572,000. Out of this amount \$15,163,000 was used to pay state taxes.

\*Percent of gross receipts which the licensed organization retains for allowable expenses and lawful purpose expenditures.

\*\*The percent of allowable expenses that each of the separate expense items represent.

# **LAWFUL GAMBLING ACTIVITY**

(In thousands)

**Calendar Year, 1988**

**January 1 - December 31, 1988**

<b>Activity</b>	<b>Gross Receipts</b>	<b>Prizes Awarded</b>	<b>Net Receipts</b>	<b>%*</b>
Bingo	67,588	47,912	19,676	29
Raffles	2,401	1,342	1,059	44
Paddlewheels	2,309	1,898	411	18
Tipboards	48,696	40,154	8,542	18
Pull-tabs	735,059	607,001	128,058	17
Interest Income	798	0	798	N/A
Other	-337	0	-337	N/A
<b>TOTALS</b>	<b>888,514</b>	<b>698,307</b>	<b>190,207</b>	
Less cash short pull-tabs after 12/31/86			-3,118	
<b>GROSS PROFIT</b>			<b>187,089</b>	

## **ALLOWABLE EXPENSES**

(In thousand)

		<b>%**</b>
Purchase of Supplies	18,654	32
Compensation	27,228	46
Purchases & Repairs of Gambling Equipment	1,787	3
Rent	6,931	12
Utilities	1,623	3
Theft Insurance	59	-
Advertising	45	-
License Renewals/Gambling Manager Bond	504	1
Accounting Services	299	1
Investigation Fee	1,697	3
Liability Insurance	44	-
Other	0	-
<b>LESS TOTAL ALLOWABLE EXPENSES</b>	<b>58,572</b>	<b>-58,572</b>
<b>NET PROFIT</b> (available for lawful purpose expenditures)		<b>98,317</b>

## **LAWFUL PURPOSE EXPENDITURES**

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\*Percent of gross receipts which the licensed organization retains for allowable expenses and lawful purpose expenditures.

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**GROWTH OF GAMBLING**  
**Fiscal Year 1988**  
**July 1, 1987 - June 30, 1988**

	<u>Monthly Gross Receipts</u> (in thousands)	<u>Taxes</u>
1987	July 49,111	1,029
	August 49,706	1,108
	September 49,713	1,144
	October 51,388	736
	November 48,660	1,577
	December 42,365	1,512
1988	January 56,229	1,166
	February 58,479	1,179
	March 68,196	1,401
	April 70,801	1,458
	May 69,349	1,418
	<u>June 69,292</u>	<u>1,443</u>
		-
<b>TOTALS</b>	<b>683,289</b>	<b>15,171</b>

**GROWTH OF GAMBLING**  
**Calendar Year 1988**  
**January 1 - December 31, 1988**

	<u>Monthly Gross Receipts</u> (in thousands)	<u>Taxes</u>
1988	January 56,229	1,166
	February 58,479	1,179
	March 68,196	1,401
	April 70,801	1,458
	May 69,349	1,418
	June 69,292	1,443
	July 74,555	1,469
	August 78,611	1,622
	September 82,508	1,845
	October 83,484	1,607
	November 78,689	1,646
	<u>December 86,318</u>	<u>1,255</u>
<b>TOTALS</b>	<b>856,511</b>	<b>17,509</b>

# GAMBLING TAX REPORTED BY COUNTY

## Calendar Year 1988

### Definitions:

"Gross Receipts" means the total amount collected by an organization from participants in lawful gambling.

"Net Receipts" are gross receipts less prizes actually paid out.

"Total Tax" means the total amount reported as paid by the organization to the Department of Revenue. The tax collected is general fund revenue.

COUNTY	GROSS RECEIPTS	NET RECEIPTS	TOTAL TAX
Aitkin	5,024,358.85	1,011,388.50	123,228.94
Anoka	48,923,793.41	9,754,056.56	1,123,340.07
Becker	14,004,906.51	2,138,504.01	310,106.44
Beltrami	13,708,260.93	2,183,710.43	277,922.18
Benton	8,161,851.94	1,638,146.49	193,506.00
Big Stone	178,785.22	47,755.72	5,666.37
Blue Earth	16,724,059.03	3,108,131.84	403,033.59
Brown	4,130,274.64	750,732.49	88,338.34
Carlton	7,406,631.04	1,197,918.89	168,519.62
Carver	5,769,142.04	1,113,459.54	139,632.30
Cass	8,270,782.30	1,397,426.65	188,071.17
Chippewa	3,501,561.84	615,237.84	70,425.78
Chisago	8,842,345.60	1,460,871.82	169,260.06
Clay	12,198,709.42	1,923,119.72	284,863.44
Cleanwater	2,813,424.94	508,837.94	61,701.39
Cook	877,471.70	152,000.95	21,078.93
Cottonwood	1,631,281.47	297,134.73	23,514.75
Crow Wing	28,191,326.04	4,806,891.07	649,733.75
Dakota	26,199,516.14	5,329,379.75	608,501.59
Dodge	1,154,362.00	216,721.00	26,355.34
Douglas	7,671,158.40	1,367,217.92	171,416.14
Faribault	2,656,254.37	526,270.65	65,065.49
Fillmore	1,696,752.33	387,634.83	43,968.62
Freeborn	5,218,434.27	1,088,474.52	127,183.75
Goodhue	3,494,366.65	659,783.65	78,605.06
Grant	769,190.87	146,403.87	20,353.88
Hennepin	180,273,370.34	33,641,457.90	4,600,264.54
Houston	2,467,815.30	706,894.08	74,787.44
Hubbard	6,652,084.67	966,149.62	141,758.16
Isanti	3,242,552.82	616,450.22	75,500.09
Itasca	9,873,763.51	1,876,496.89	242,301.27
Jackson	1,046,040.42	202,290.92	25,195.65
Kanabec	6,304,842.65	1,023,015.90	134,277.45
Kandiyohi	5,340,217.10	1,130,711.71	123,051.28
Kittson	1,543,321.17	220,122.52	33,028.26
Koochiching	3,379,169.22	629,001.33	94,826.01
Lac Qui Parle	960,248.77	211,023.02	24,012.40
Lake	2,168,612.86	405,966.52	49,712.06
Lake of the Woods	1,845,465.80	333,746.80	36,185.50



COUNTY	GROSS RECEIPTS	NET RECEIPTS	TOTAL TAX
LeSueur	5,034,219.94	1,009,172.77	125,908.10
Lincoln	446,845.00	91,022.00	11,432.40
Lyon	2,300,064.53	477,164.84	60,704.71
Mahnomen	1,065,519.90	169,414.65	20,797.81
Marshall	2,760,812.84	436,797.84	53,236.73
Martin	5,583,863.95	1,089,417.39	119,579.96
McLeod	5,384,219.89	1,012,637.89	119,925.59
Meeker	2,703,144.69	562,477.17	68,274.37
Mill Lake	12,888,549.18	2,218,822.74	269,088.11
Morrison	12,811,549.73	2,204,820.18	301,527.29
Mower	5,209,634.06	1,225,046.66	133,115.74
Murray	333,963.55	83,492.50	8,938.53
Nicollet	4,397,635.37	841,695.87	94,739.45
Nobles	1,832,529.39	392,627.54	55,221.85
Norman	2,801,044.81	441,534.81	59,974.45
Olmsted	11,387,993.95	2,266,520.45	242,739.53
Otter Tail	18,620,245.78	2,768,258.12	452,519.68
Pennington	6,751,850.54	1,080,405.54	139,188.35
Pine	10,676,307.93	1,983,274.43	234,368.88
Pipestone	696,412.00	141,880.00	16,801.15
Polk	15,537,013.70	2,638,079.40	343,271.95
Pope	1,944,819.01	390,125.93	55,011.76
Ramsey	78,666,838.82	15,945,621.25	1,826,529.40
Red Lake	1,966,289.66	328,994.66	39,694.26
Redwood	1,252,252.86	222,658.86	26,344.95
Renville	1,315,122.54	256,336.44	32,091.39
Rice	8,219,314.25	1,633,592.18	197,455.78
Rock	928,796.09	178,652.35	21,033.28
Roseau	3,797,627.06	610,352.56	74,036.30
Scott	13,826,206.41	2,496,419.16	296,482.16
Sherburne	18,143,241.95	3,594,850.15	420,628.23
Sibley	2,321,506.54	428,465.04	54,493.32
St. Louis	62,624,267.78	9,844,370.88	1,505,255.19
Stearns	24,969,019.07	5,514,779.08	664,570.78
Steele	5,627,798.71	1,017,741.27	114,118.03
Stevens	1,015,489.82	229,474.82	31,431.49
Swift	1,837,091.88	324,161.23	43,823.93
Todd	4,353,388.24	776,757.69	105,449.28
Traverse	455,725.25	104,473.50	12,149.45
Wabasha	3,901,839.43	783,601.09	78,318.20
Wadena	4,007,428.64	640,578.04	93,068.07
Waseca	3,061,588.25	542,103.25	66,072.22
Washington	17,057,658.72	3,565,176.05	404,860.49
Watonswan	2,053,174.75	404,680.97	50,496.13
Wilkin	709,667.00	128,756.00	20,754.00
Winona	4,884,855.52	1,182,682.72	134,949.60
Wright	14,639,834.28	2,458,465.25	305,752.02
Yellow Medicine	1,761,377.59	317,024.87	39,891.84
<b>TOTAL*</b>	<b>877,084,451.46</b>	<b>162,845,998.89</b>	<b>20,744,411.28</b>

\*The figures in this portion of the report vary from the figures on page 5. The reason for the variance is that this report was run on a later date and includes a more complete accounting of the information provided by the organizations.

Organizations which conduct gambling on five or fewer days in a calendar year and which offer prizes not to exceed \$50,000 in value in a calendar year can be exempted from some state statutes and rules. This exempted status relieves the Board from some obligations of dealing with organizations with limited gambling operations. There were 911 organizations which applied for 1,241 permits in 1988.

**EXEMPT STATUS ACTIVITIES**  
**January 1 - December 31, 1988**  
*(in thousands)*

Activity	Gross Receipts	Value of Prizes*	Expenses	Profit
Bingo	683	289	328	355
Raffles	2,724	3,521	3,556	5,168
Paddlewheels	159	68	72	87
Tipboards	87	33	42	45
Pull-tabs	<u>1,085</u>	<u>830</u>	<u>811</u>	<u>278</u>
<b>TOTALS</b>	<b>10,738</b>	<b>4,541</b>	<b>4,809</b>	<b>5,930</b>

\*The value of prizes may be greater than the expenses and cost of prizes because of donated prizes which are valued at the market value of the item.

**In conclusion,**  
the Board, looking forward to 1989, hopes to strengthen its licensing procedures, improve its outreach program, and generate more resources to monitor this growth in lawful gambling.

Most Respectfully Yours,



Ray Potami, Chairman  
Charitable Gambling Control Board

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