



Minnesota Gambling Control Board

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Roseville, MN 55113  
651-639-4000

# **Annual Report of the Minnesota Gambling Control Board**

**Fiscal Year  
2005**

**July 1, 2004 - June 30, 2005**





## Message from the Board Chair and Executive Director

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February 21, 2006

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:

- compliance reviews and site inspections,
- issuing licenses and permits,
- continuing education classes throughout the state,
- speaking engagements at state-level conventions,
- gambling manager seminars,
- individualized mentoring,
- a comprehensive web site, and
- a bi-monthly newsletter.

This annual report provides information for the fiscal year beginning July 1, 2004, through June 30, 2005. Portions of the data were obtained from the Minnesota Department of Revenue.

Respectfully submitted,

Peggy Moon, Chair

Tom Barrett, Executive Director



## 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.

<b>Members</b>	<b>City</b>	<b>Appointed by</b>	<b>Term</b>
Peggy Moon, Chair	St. Joseph	Governor	7/01 to 6/05
Howard Register, Vice Chair	Eagan	Public Safety	7/03 to 6/07
Pat Davies, Secretary	Mendota Heights	Attorney General	7/03 to 6/07
Gerald Dexter	White Bear Lake	Governor	8/02 to 6/06
Shirleen Hoffman	Delano	Governor	8/04 to 6/06
William Goede	Plainview	Governor	8/04 to 6/08
Tamara Garcia	Eden Prairie	Governor	8/04 to 6/08

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### **Executive Director**

Tom Barrett

FY 2004 expenditures: \$2,608,000  
Board staff: 31 (FTE 29)

### **Board Counsel**

Melissa Eberhart, Assistant Attorney General  
Darren DeJong, Assistant Attorney General

# Statement of Cash Receipts and Industry Overview

## Cash Receipts

	Fee	Total Collected*
Manufacturer license .....	\$9,000	\$ 81,000
Game approval and testing (manufacturer) .....	\$25/\$100	165,375
Distributor license .....	6,000	102,000
Distributor salesperson license .....	100	14,800
Linked bingo game provider license .....	5,000	10,000
Bingo hall license .....	4,000	24,000*
Organization license .....	350	450,450
Gambling manager license .....	100	145,700
Premises permit .....	150	585,650
Regulatory fee (monthly fee of 0.1% of gross receipts from gambling conducted by licensed organizations at each site) .....		1,384,404
Excluded Permit (limited bingo, less than \$1,500 value in cumulative raffle prizes) .....	none	0
Exempt Permit (up to 5 days of activity, total prizes valued at \$50,000 or less) .....	50	147,245
<b>Total fees collected</b>		<b>3,110,624</b>
Civil penalties and fines .....	vary	62,850
State gambling taxes, after refunds (collected by Department of Revenue) .....		54,288,000
<b>Total taxes, fee, and penalties collected</b>		<b>\$57,461,474</b>

\* Effective August 1, 2005, bingo hall licenses were repealed. \$32,000 was collected for bingo hall license fees, and fees totaling \$8,000 were refunded.

## Industry Overview

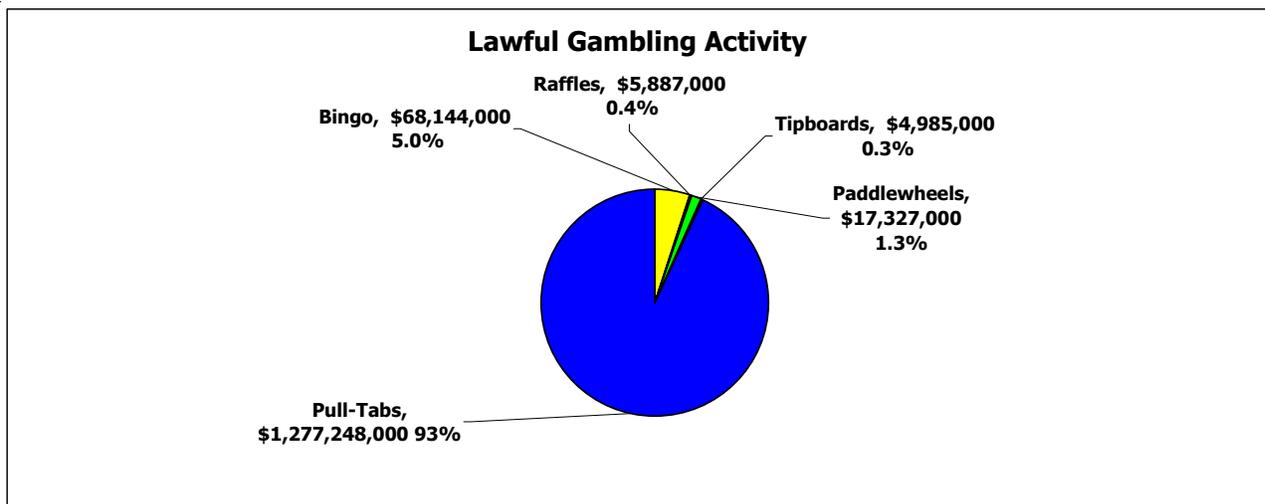
During fiscal year 2005, the Minnesota lawful gambling industry consisted of:

<u>Licensees and Activities</u>	<u>Description</u>		
8 manufacturers	Sold product to licensed distributors. In FY05, 4,327 new games and product were approved for sale in Minnesota.		
14 distributors	Sold product to licensed lawful gambling organizations.		
231 distributor salespersons	Persons licensed to sell gambling equipment.		
9 bingo halls	Locations where more than one organization leases space to conduct bingo.		
1,438 nonprofit organizations	Nonprofit organizations licensed to conduct gambling at permitted premises.		
	<b><u>Type of Organization</u></b>		
	<b><u>Number</u></b>		
	<b><u>Percent</u></b>		
	FRATERNAL - Lions, Eagles & Auxiliary, Moose, Elks, Knights of Columbus	187	13%
	VETERANS - American Legion, VFW, & Auxiliaries	399	27.7%
	RELIGIOUS - Church/Cathedral	33	2.3%
	OTHER NONPROFIT - Fire relief, hockey, Jaycees, baseball, athletic, rod and gun, snowmobile, business/chamber/development, sportsman, community, other	819	57%
	<b>TOTAL</b>	<b><u>1,438</u></b>	<b><u>100%</u></b>
1,600 gambling managers	Gambling managers are members of licensed nonprofit organizations and are responsible for supervising the organizations' lawful gambling operations.		
3,297 premises permits	1,438 licensed nonprofit organizations were issued 3,297 premises permits.		
2,125 exempt organizations	Permitted organizations conduct limited gambling up to five days per calendar year. In fiscal year 2005, exempt organizations conducted 2,927 activities, with gross receipts of \$28,786,000.		
1,229 excluded organizations	Nonprofit organizations may apply for authorization to conduct excluded bingo and raffles activities. In fiscal year 2005, 1,747 excluded activities were conducted (bingo 535 and raffles 1,212).		

# Lawful Gambling Statistics

## Fiscal Year Summary

ACTIVITY	Gross Receipts (sales)		Prizes Paid	Net Receipts (gross less prizes)		% Payout	
	FY 2005	% Change from FY04	FY 2005	FY 2005	% Change from FY04	FY05	FY04
Pull-Tabs	1,277,248,000	-3.2	1,049,990,000	227,258,000	-2.7	82.2	82.3
Bingo	68,144,000	-3.7	53,133,000	15,011,000	-3.4	78.0	78.1
Paddlewheels	17,327,000	-3.7	13,322,000	4,005,000	1.6	76.9	78.1
Raffles	5,887,000	5.6	2,981,000	2,906,000	3.9	50.6	49.8
Tipboards	4,985,000	31.8	3,357,000	1,628,000	22.8	67.3	64.9
Interest Income	192,000	-7.7	- 0 -	192,000	-7.7		
<b>TOTALS</b>	<b>\$1,373,783,000</b>	<b>-3.1</b>	<b>\$1,122,783,000</b>	<b>\$ 251,000,000</b>	<b>-2.5</b>	<b>81.7</b>	<b>81.9</b>



Ten-Year Comparison (percent change from previous fiscal year)						
FY	Gross Receipts		Prizes Paid		Net Receipts	
05	\$1,373,783,000	-3.1%	\$1,122,783,000	-3.3%	\$251,000,000	-2.5%
04	1,418,109,000	0.0%	1,160,753,000	-0.3%	257,356,000	1.5%
03	1,418,200,000	-1.2%	1,164,591,000	-1.0%	253,609,000	-2.1%
02	1,435,426,000	-0.1%	1,176,268,000	0.2%	259,158,000	-1.1%
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%

# Lawful Purpose Expenditures

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



Recognition of military service or humanitarian service



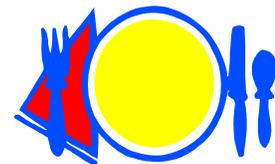
Scholarship funds, and private or public nonprofit educational institutions



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



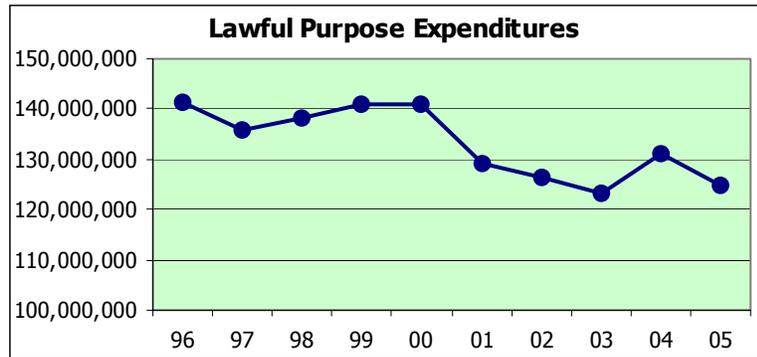
## Other Lawful Purpose Expenditure Categories

- 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, or disabilities
- Treatment for compulsive gambling
- 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; state lawful gambling license fees
- Specific utility costs and membership events by licensed veterans organizations

# Lawful Purpose Expenditures

## Ten-Year Comparison

<b>05</b>	\$124,974,000
<b>04</b>	\$130,944,000
<b>03</b>	\$123,138,000
<b>02</b>	\$126,514,000
<b>01</b>	\$129,153,000
<b>00</b>	\$140,841,000
<b>99</b>	\$141,071,000
<b>98</b>	\$138,176,000
<b>97</b>	\$135,632,000
<b>96</b>	\$141,427,000



## Lawful Purpose Expenditures

	<u>FY 2005</u>	<u>FY 2004</u>	<u>% Change</u>
<b>Lawful Purpose Expenditures</b>	<b>\$ 70,686,000</b>	<b>\$ 74,305,000</b>	<b>-4.9</b>
<b>State Gambling Taxes Paid</b>	<b>54,288,000</b>	<b>56,639,000</b>	<b>-4.2</b>
Gross Receipts State Tax	21,990,000	22,889,000	-3.9
Net Receipts State Tax	1,873,000	1,907,000	-1.8
Combined Receipts State Tax	30,425,000	31,843,000	-1.8
<b>TOTALS</b>	<b>\$ 124,974,000</b>	<b>\$ 130,944,000</b>	<b>-4.6%</b>

## State Gambling Taxes

	<u>Taxes Paid</u>	<u>Refund*</u>	<u>Taxes After Refund</u>
<b>05</b>	\$61,621,000	7,333,000	54,288,000
<b>04</b>	63,539,000	6,900,000	56,639,000
<b>03</b>	62,698,000	6,566,000	56,132,000
<b>02</b>	62,655,000	6,232,000	56,423,000
<b>01</b>	62,147,000	6,246,000	55,901,000
<b>00</b>	68,765,000	6,209,000	62,556,000
<b>99</b>	68,709,000	6,088,000	62,621,000
<b>98</b>	68,828,000	5,780,000	63,048,000
<b>97</b>	64,717,000	2,700,000	62,017,000
<b>96</b>	65,849,000		

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.

Net Receipts Taxes: 8.5 percent on the net receipts on bingo, raffles, and paddlewheels.

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	FY05	FY04	% Change
Compensation and payroll taxes	\$61,587,000	\$62,080,000	- 0.8
Gambling equipment (pull-tabs, bingo paper, tipboards, paddletickets)	24,440,000	25,189,000	- 3.0
Rent	24,963,000	23,986,000	4.1
Accounting and legal work	4,627,000	4,661,000	- 0.7
Office supplies and miscellaneous expenses	5,579,000	5,682,000	- 1.8
Gambling device purchase (paddlewheel & table, bingo selection device, pull-tab dispensing device), storage, and maintenance	2,351,000	2,294,000	2.5
Penalty and interest paid	48,000	30,000	60.0
Cash shortages (see next page)	1,699,000	1,681,000	1.1
Utilities	878,000	1,154,000	-23.9
Bond, license, permits (Percent change due to two-year licensing cycle & 7/1/03 change for license/permit fees to lawful purpose)	444,000	465,000	-4.5
Advertising	574,000	562,000	2.1
Theft and liability insurance	890,000	874,000	1.8

Expenses were offset by reimbursements from a source of nongambling funds for the following:

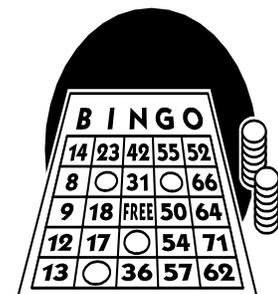
Excess cash shorts	(661,000)	(549,000)	20.4
Negative expense calculations	(1,393,000)	(1,697,000)	-17.9

NOTE: For leases negotiated after May 31, 2003, rent is all-inclusive (utilities, etc) and for bar operations, the lessor must reimburse all cash shortages. Lessors and their employees may not be paid compensation. Effective July 1, 2003, license and permit fees are reported as a lawful purpose instead of allowable expense.



## Ten-Year Comparison of Allowable Expenses

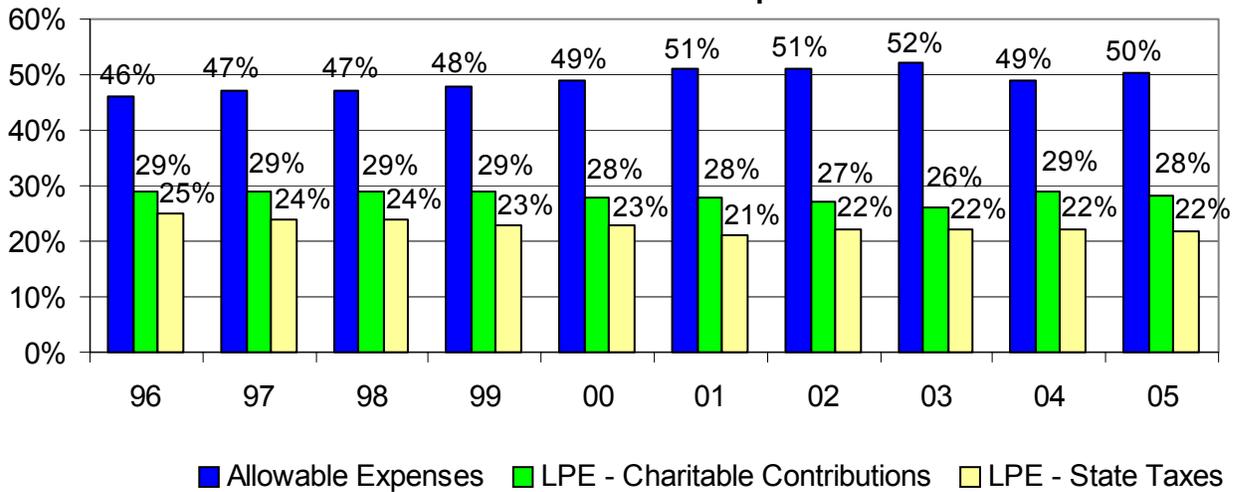
05	\$126,026,000
04	\$126,412,000
03	\$130,471,000
02	\$132,644,000
01	\$132,960,000
00	\$133,388,000
99	\$127,376,000
98	\$123,452,000
97	\$118,814,000
96	\$118,977,000



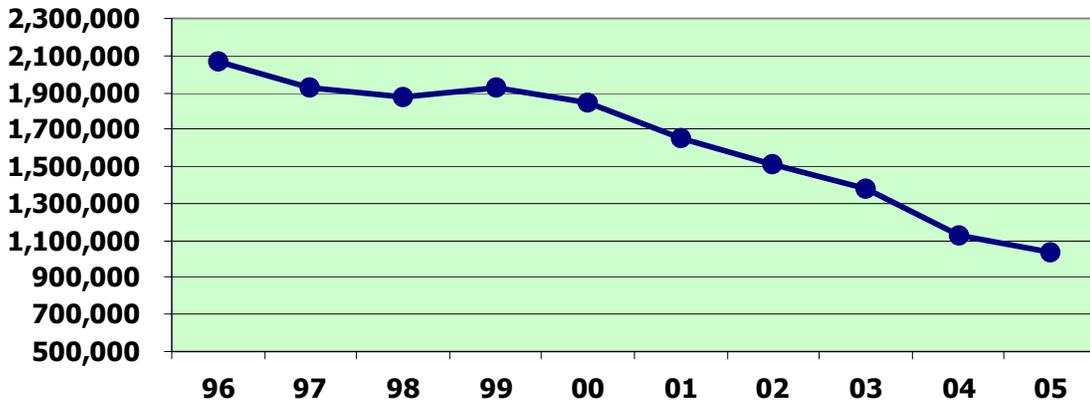
## Gambling Equipment

# Lawful Gambling Statistics

### Distribution of Net Receipts



### Net Cash Shortages



FY	Net Cash Shortages
05	\$1,038,000
04	1,132,000
03	1,383,000
02	1,513,000
01	1,656,000
00	1,840,000
99	1,924,000
98	1,877,000
97	1,923,000
96	2,069,000

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, shortages may not exceed three-tenths of one percent (.3%) of gross receipts (sales) and are treated as an allowable expense.

For bar operation leases negotiated after May 31, 2003, cash shortages must be reimbursed by the lessor.

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

# Lawful Gambling Activity within a County

COUNTY	G R O S S			N E T (after prizes)		
	RECEIPTS FY05	RECEIPTS FY04	% CHANGE since FY04	RECEIPTS FY05	RECEIPTS FY04	% CHANGE since FY04
Aitkin	14,106,000	14,808,000	-4.7%	2,441,000	2,575,000	-5.2%
Anoka	104,428,000	101,584,000	2.8%	19,133,000	18,559,000	3.1%
Becker	12,420,000	12,463,000	-0.3%	2,173,000	2,186,000	-0.6%
Beltrami	9,079,000	8,627,000	5.2%	1,516,000	1,451,000	4.5%
Benton	11,878,000	11,285,000	5.3%	2,340,000	2,221,000	5.4%
Big Stone	509,000	542,000	-6.1%	93,000	98,000	-5.1%
Blue Earth	15,920,000	16,786,000	-5.2%	3,032,000	3,400,000	-10.8%
Brown	5,073,000	5,757,000	-11.9%	981,000	1,104,000	-11.1%
Carlton	11,997,000	13,211,000	-9.2%	1,988,000	1,979,000	0.5%
Carver	16,218,000	16,012,000	1.3%	2,890,000	2,799,000	3.3%
Cass	11,930,000	12,046,000	-1.0%	2,116,000	2,071,000	2.2%
Chippewa	4,643,000	4,839,000	-4.1%	793,000	763,000	3.9%
Chisago	11,864,000	11,898,000	-0.3%	2,139,000	2,134,000	0.2%
Clay	13,676,000	13,641,000	0.3%	2,505,000	2,569,000	-2.5%
Clearwater	3,308,000	3,461,000	-4.4%	576,000	597,000	-3.5%
Cook	81,000	0	100.0%	21,000	0	100.0%
Cottonwood	1,655,000	1,809,000	-8.5%	315,000	347,000	-9.2%
Crow Wing	34,283,000	35,184,000	-2.6%	6,256,000	6,400,000	-2.3%
Dakota	68,532,000	67,964,000	0.8%	12,675,000	12,467,000	1.7%
Dodge	4,705,000	4,407,000	6.8%	895,000	816,000	9.7%
Douglas	19,762,000	20,018,000	-1.3%	3,208,000	3,209,000	0.0%
Faribault	5,021,000	5,240,000	-4.2%	900,000	955,000	-5.8%
Fillmore	7,810,000	7,430,000	5.1%	1,440,000	1,382,000	4.2%
Freeborn	10,681,000	11,453,000	-6.7%	2,067,000	2,188,000	-5.5%
Goodhue	9,075,000	9,421,000	-3.7%	1,632,000	1,672,000	-2.4%
Grant	3,519,000	3,462,000	1.6%	521,000	525,000	-0.8%
Hennepin	182,176,000	200,761,000	-9.3%	33,123,000	36,050,000	-8.1%
Houston	6,830,000	5,982,000	14.2%	1,258,000	1,101,000	14.3%
Hubbard	13,437,000	13,597,000	-1.2%	1,847,000	1,894,000	-2.5%
Isanti	9,743,000	10,635,000	-8.4%	1,714,000	1,835,000	-6.6%
Itasca	17,134,000	17,759,000	-3.5%	3,092,000	3,161,000	-2.2%
Jackson	964,000	1,093,000	-11.8%	188,000	210,000	-10.5%
Kanabec	4,803,000	5,007,000	-4.1%	916,000	958,000	-4.4%
Kandiyohi	8,575,000	9,021,000	-4.9%	1,529,000	1,635,000	-6.5%
Kittson	1,438,000	1,549,000	-7.2%	242,000	257,000	-5.8%
Koochiching	5,723,000	6,325,000	-9.5%	987,000	1,095,000	-9.9%
Lac qui Parle	1,980,000	1,733,000	14.3%	341,000	302,000	12.9%
Lake	3,565,000	3,509,000	1.6%	641,000	673,000	-4.8%
Lake of the Woods	4,989,000	5,556,000	-10.2%	851,000	893,000	-4.7%
Le Sueur	9,827,000	10,207,000	-3.7%	1,836,000	1,849,000	-0.7%
Lincoln	871,000	955,000	-8.8%	192,000	205,000	-6.3%
Lyon	3,785,000	3,916,000	-3.3%	748,000	777,000	-3.7%
Mahnomen	624,000	540,000	15.6%	81,000	70,000	15.7%
Marshall	4,933,000	4,797,000	2.8%	806,000	793,000	1.6%
Martin	7,155,000	7,715,000	-7.3%	1,239,000	1,339,000	-7.5%

# Lawful Gambling Activity within a County

COUNTY	G R O S S			N E T (after prizes)		
	RECEIPTS FY05	RECEIPTS FY04	% CHANGE since FY04	RECEIPTS FY05	RECEIPTS FY04	% CHANGE since FY04
McLeod	12,842,000	13,647,000	-5.9%	2,378,000	2,492,000	-4.6%
Meeker	6,652,000	7,513,000	-11.5%	1,318,000	1,447,000	-8.9%
Mille Lacs	14,965,000	15,395,000	-2.8%	2,728,000	2,777,000	-1.8%
Morrison	20,703,000	21,269,000	-2.7%	3,720,000	3,761,000	-1.1%
Mower	13,140,000	13,071,000	0.5%	2,725,000	2,670,000	2.1%
Murray	1,335,000	1,221,000	9.3%	271,000	249,000	8.8%
Nicollet	6,648,000	6,488,000	2.5%	1,291,000	1,217,000	6.1%
Nobles	2,439,000	3,056,000	-20.2%	519,000	631,000	-17.7%
Norman	1,656,000	1,865,000	-11.2%	264,000	283,000	-6.7%
Olmsted	20,427,000	20,838,000	-2.0%	4,300,000	4,350,000	-1.1%
Otter Tail	22,735,000	23,337,000	-2.6%	3,962,000	4,122,000	-3.9%
Pennington	6,479,000	6,896,000	-6.0%	1,154,000	1,202,000	-4.0%
Pine	11,305,000	11,447,000	-1.2%	2,020,000	2,012,000	0.4%
Pipestone	480,000	551,000	-12.9%	103,000	124,000	-16.9%
Polk	20,688,000	19,463,000	6.3%	3,463,000	3,211,000	7.8%
Pope	5,974,000	6,327,000	-5.6%	1,075,000	1,152,000	-6.7%
Ramsey	132,161,000	140,343,000	-5.8%	25,477,000	26,957,000	-5.5%
Red Lake	1,911,000	1,883,000	1.5%	338,000	335,000	0.9%
Redwood	2,393,000	2,508,000	-4.6%	460,000	461,000	-0.2%
Renville	3,739,000	4,383,000	-14.7%	667,000	755,000	-11.7%
Rice	13,815,000	15,129,000	-8.7%	2,812,000	3,014,000	-6.7%
Rock	1,854,000	1,649,000	12.4%	323,000	288,000	12.2%
Roseau	5,490,000	5,565,000	-1.3%	937,000	933,000	0.4%
Scott	20,836,000	21,810,000	-4.5%	3,773,000	3,879,000	-2.7%
Sherburne	27,325,000	29,236,000	-6.5%	4,656,000	4,897,000	-4.9%
Sibley	5,253,000	5,888,000	-10.8%	962,000	1,046,000	-8.0%
St. Louis	64,278,000	70,022,000	-8.2%	10,802,000	11,448,000	-5.6%
Stearns	55,142,000	56,363,000	-2.2%	11,123,000	11,361,000	-2.1%
Steele	10,756,000	11,764,000	-8.6%	2,037,000	2,138,000	-4.7%
Stevens	2,535,000	2,516,000	0.8%	460,000	471,000	-2.3%
Swift	4,183,000	3,916,000	6.8%	766,000	735,000	4.2%
Todd	12,461,000	13,217,000	-5.7%	2,212,000	2,323,000	-4.8%
Traverse	472,000	454,000	4.0%	82,000	79,000	3.8%
Wabasha	9,100,000	10,135,000	-10.2%	1,653,000	1,838,000	-10.1%
Wadena	5,005,000	5,143,000	-2.7%	801,000	871,000	-8.0%
Waseca	5,377,000	6,205,000	-13.3%	1,033,000	1,183,000	-12.7%
Washington	46,893,000	48,382,000	-3.1%	8,980,000	9,250,000	-2.9%
Watsonwan	3,563,000	3,694,000	-3.5%	645,000	669,000	-3.6%
Wilkin	1,150,000	1,219,000	-5.7%	200,000	207,000	-3.4%
Winona	15,893,000	17,212,000	-7.7%	3,140,000	3,389,000	-7.3%
Wright	43,251,000	41,329,000	4.7%	7,418,000	7,135,000	4.0%
Yellow Medicine	1,444,000	1,490,000	-3.1%	281,000	292,000	-3.8%
<b>TOTAL</b>	<b>1,365,473,000</b>	<b>1,417,844,000</b>	<b>-3.7%</b>	<b>249,606,000</b>	<b>257,218,000</b>	<b>-3.0%</b>

NOTE: Receipts are based on **sites** located within a county (in annual reports prior to FY03, receipts were based on **organizations** located within a county). Variances between the above totals and those listed on page 5 are due to rounding and reports being generated at different times.

# Legislative Changes

All changes effective August 1, 2005, unless noted otherwise.

## BINGO

- **Bar bingo** conduct clarified. No rent may be paid for bar bingo.
- **Bingo occasion** clarified. Removes game and occasion limits and restricts to maximum of 8 hours.
- **Bingo cash discrepancies** - modifies the reporting requirement to the Board for bingo gross receipts discrepancies greater than \$50 per occasion (was \$20).
- **Electronic devices** - allows use of device by player to monitor bingo paper and identify winning bingo pattern. Outlines minimum requirements and restrictions for Board rules.

## PULL-TABS AND TIPBOARDS

- **Tipboard prizes** - raises maximum prize for tipboard to \$599, same as pull-tabs.
- **Tipboard game signatures** - clarifies signature requirements for tipboard games with more than 32 tickets. Those with 32 or less don't need qualifying signatures; only winner signatures required.
- **Posting** - Requires the posting of "winning tickets" at all sites where nongambling employees of the organization are allowed to play the games. Gambling employees may purchase tipboards or pull-tabs at the site of employment if all major prizes are posted and the employee is not involved in the sale of tipboards or pull-tabs at that site.

## RAFFLES

- **Raffles** - definition expanded to allow a "certificate of participation" for unique activities such as a "duck race." Clarifies the conduct of raffles. Effective 6-4-2005.

## LICENSE AND RENT CHANGES

- **Bingo hall** - repeals requirement for "Bingo hall license." References to bingo halls deleted and clarifies premises used for bingo.
- **Gambling manager bond** - changes bond requirement from fidelity bond to dishonesty bond (Bond amount remains at \$10,000). May list GM position instead of GM name.
- **Bingo rent changes** - Sets new rent limits for conduct of bingo. Rent is all-inclusive, unless approved by the Board director.
- **Annual goal** - requires organization to identify in license application its annual goal for charitable contributions.
- **Officer qualifications** - clarifies criminal background checks for officers of licensed organizations will focus on theft or fraud convictions and removes five year timeframe.
- **Illegal gambling** - Board may authorize organization to withhold rent for up to 90 days, with continued tenancy, at a site where illegal gambling occurred and lessor/employees participated in or knew of illegal gambling and did not stop the illegal activity.

## EXEMPT AND EXCLUDED PERMITS (NONLICENSED ORGANIZATIONS)

- **Excluded raffles** - removes requirement for raffles under \$1,500 to be registered with Board.
- **Exempt permits** - adds penalty provision for failing to report financial information to the Board. Allows raffle tickets to be sold in conjunction with membership solicitation or membership dinner but cannot be included with any other raffle conducted by the organization.

## LOCAL UNIT OF GOVERNMENT

- **Local unit of government** - Requires local government to share reports with Board for local regulatory actions.

# Legislative Changes

**All changes effective August 1, 2005, unless noted otherwise.**

## **LAWFUL PURPOSE EXPENDITURES** (code changes effective 6-4-2005, except as noted)

- A-2 Allows for expenditures for goods/services in addition to direct contribution to an individual or family suffering from poverty, homelessness, or a disability.
- A-3 Replaces the word "compulsive gambling" with "problem gambling." Removes contributions for treatment for "delayed posttraumatic stress syndrome" (is a "disability" under A-2).
- A-6 Removes "humanitarian" – maintains contributions for "military/vets." Allows donations for support services for active military personnel and families in need.
- A-9
  - Removes the word "wholly" and allows for payment of property taxes for a permitted gambling premises owned by the licensed organization (wholly leased language for veterans organizations remains).
  - Removes the limit allowed for real estate taxes.
  - Code A-9 change effective January 1, 2006.
- A-12 Modifies the classification of annual audit
  - payment of audit prior to 6/30/06 is a lawful purpose expenditure;
  - payment of audit after 6/30/06 is an allowable expense.
- A-13 Combines two DNR-related categories (A-13 & A-14) in code A-13, and adds an allowance for expenditures related to DNR-approved safety training and education programs.
- New# Existing codes A-15 to A-19 are renumbered to A-14 to A-18.
- A-19 New definition for "humanitarian service". Honors humanitarian service demonstrated through philanthropy or volunteerism.
- B(3) Replaces "natural disaster" with "catastrophe."

## **CHARITABLE CONTRIBUTION**

- Charitable contribution defined and include lawful purpose codes: A1-7, A-10, A-11, A13, A-14, A-15, and A-19.
- Licensed organizations must report annually to its membership and the Board a financial summary report including receipts, prizes paid, allowable expenses, lawful purpose expenditures and charitable contribution expenditures. Board then reports to Legislature.

## **ALLOWABLE EXPENSES**

- **Expense calculations** – raises limit to 60% effective 7-1-06. Bingo remains the same.
- For licenses issued after 6-30-06, compliance with expense calculations is measured on a biennial basis concurrent with license term, and is a condition of license renewal effective 7-1-08. Excess expenses must be reimbursed from nongambling funds.
- **Meat raffle compensation in bar ops** - allows compensation to an organization employee for tickets sales related to a "meat raffle" when conducted no more than once a week.

## **MISCELLANEOUS AND TECHNICAL CHANGES**

- **Board Duties** - removes bingo hall licenses, delegates additional authority to director, clarifies distributor salesperson, and requires annual financial report to Governor and Legislature regarding licensed organization receipts, expenses, lawful purpose, and charitable contributions.
- **Director's duties** - delegates additional duties to director.
- **Distributor gifts** limited to \$25 per organization per year.
- **Registration stamps** - removes obsolete language involving registration stamps, clarifies registration of gambling equipment (non-bar coded), and corrects technical errors.
- **Texas Hold-em** – Card game allowed but organizers are prohibited from charging or collecting any entry fee or other form of consideration from participants. Effective 6-4-2005.

# Rule Changes

The Board set a target date of late 2004 for completion of the comprehensive review of Minnesota Rules, Chapters 7861 through 7865 process.

The Request for Comments on the rule review was published in 2001 in the State Register. During the 2003 legislative session, the Board was granted the authority to promulgate rules governing linked bingo. Linked bingo rules were incorporated as part of the comprehensive rule review and amendments package. On February 9, 2004, a notice was published in the State Register seeking comments on planned new rules governing linked bingo and variances, and amendments to existing rules.

The Public Advisory Committee, which was formed to advise the Board on the provisions of the rule amendments and to comment on rules drafts, met on several occasions to review rule drafts and provide opinions on rules issues and concerns.

Proposed permanent rules relating to lawful gambling were approved to form by the Revisor on May 19, 2004. The statement of need and reasonableness was prepared on May 25, 2004.

On June 28, 2004, a "Notice to adopt rules without a public hearing unless 25 or more persons request a hearing, and a Notice of hearing if 25 or more requests for a hearing are received" was published in the State Register. No requests for a public hearing were received.

The Board's rulemaking docket and other rule related notices can be accessed at [www.gcb.state.mn.us](http://www.gcb.state.mn.us).

The rules were approved by the administrative law judge on September 30, 2004 and by the Governor on October 14, 2004. The Notice to Adopt was published in the State Register on October 25, 2004, with the rules becoming effective on November 1, 2004.

# Education Program

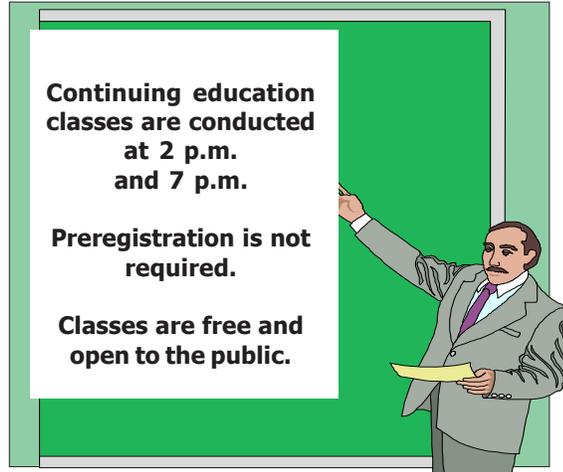
An integral part of the Board's mission is educating the lawful gambling industry. To ensure the integrity of the industry, education is provided to organizations through the following opportunities.

## 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.

During the fiscal year, 70 continuing education classes were conducted.



## Gambling Manager Seminars

Gambling manager seminars were conducted each month. Each seminar consisted of two days of training and included information on statutes, rules, conduct of lawful gambling, internal controls, reporting, and the responsibilities of organizations conducting lawful gambling.

## 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.

# Education Program

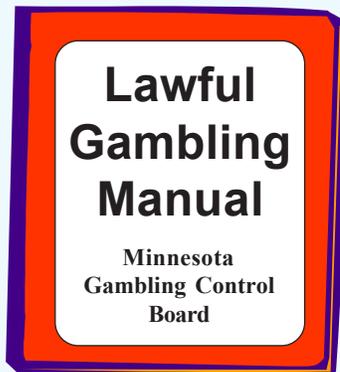
## Gaming News

The Board publishes the bi-monthly *Gaming News* newsletter on its web site at [www.gcb.state.mn.us](http://www.gcb.state.mn.us), and is mailed to all licensed gambling managers. Subscriptions to the newsletter are available through Minnesota's Bookstore.

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

*Gaming News* also 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,
- ✓ conduct for each form of lawful gambling: pull-tabs, bingo, paddlewheels, tipboards, and raffles,
- ✓ managing gambling equipment inventory,
- ✓ guidelines for 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 comprehensive cross-reference index.



**“Everything you always wanted to know about lawful gambling...”**

can be found on the Board’s web site at

**www.gcb.state.mn.us**

<p><b>BOARD INFORMATION</b></p> <ul style="list-style-type: none"> <li>√ Meeting dates</li> <li>√ Phone numbers</li> <li>√ Summary of actions taken by the Board at its monthly meeting</li> </ul>	<p><b>LOCAL GOVERNMENT</b> (city and county)</p> <ul style="list-style-type: none"> <li>- local tax or investigation fee</li> <li>- contribution fund</li> <li>- authority</li> <li>- reports</li> </ul>
<ul style="list-style-type: none"> <li>■ Education information</li> <li>■ Training dates</li> <li>■ Request for mentoring</li> </ul>	<p><b>GET CONNECTED!</b></p> <ul style="list-style-type: none"> <li>* Links to other agencies</li> <li>* Link to legislature</li> <li>* E-mail links to staff</li> </ul>
<p><b>LIST of licensed...</b></p> <ul style="list-style-type: none"> <li>➔ Distributors</li> <li>➔ Manufacturers</li> <li>➔ Linked Bingo Game Providers</li> <li>➔ Organizations</li> </ul>	<ul style="list-style-type: none"> <li>√ Licensing information</li> <li>√ Forms</li> <li>√ Lawful gambling statutes</li> <li>√ Lawful gambling rules</li> </ul>
<p style="text-align: center;"><b>PUBLICATIONS</b></p> <ul style="list-style-type: none"> <li>• Gaming News</li> <li>• CEO Guidebook</li> <li>• Illegal Gambling</li> <li>• Conduct of Pull-tabs</li> <li>• Lawful Gambling Manual</li> <li>• Who May and May Not Play</li> <li>• Raffle Ticket Requirements</li> <li>• Frequently Asked Bingo Questions</li> </ul>	

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ask to place a call to 651-639-4000.