



Minnesota Gambling Control Board

# GAMING NEWS

July/August/September 2014

## Director's Column

Tom Barrett, Executive Director

# Happy 30<sup>th</sup> Anniversary!

## 30 Years of Charitable Gambling Under the Gambling Control Board—1984-2014

### Gambling Control Board

**William Goede, Chair**  
(Plainview)

Committee: Executive

**Norm Pint, Vice-Chair**  
(New Prague)

Committees: Executive;  
CRG (chair)

**William Gillespie,**  
**Secretary (St. Paul)**

Committees: Executive;  
Legislative (chair); CRG

**James Nardone**  
(Grand Rapids)

Committee: Rules

**Kenneth Koch (Egan)**

Committee: Legislative

Two vacancies

Gross Receipts	Prizes Paid	Net Receipts	State Taxes	Charitable (LPE) Expenditures
\$33,411,011,000	\$27,104,053,000	\$6,255,828,000	\$1,320,934,000	\$1,893,744,000

### Amazing Achievements

Since 1984 the charitable gaming industry has grown significantly. In the early years no one—not the charities, the regulators, nor legislators—suspected the huge growth in gambling. Based on the chart on page 5, charitable gambling became big business almost instantly. By 1990 the \$200 per capita charitable gambling gross sales was the highest in the country! Annual gross receipts have gone from \$111.4 million in 1985 to \$1.2 billion in 2013 and yearly charitable contributions went from \$8.2 million in 1985 to over \$60.3 million in 2013. That's no small accomplishment, and a credit to all representatives in the industry!

### History

Prior to 1984, charitable gambling was permitted under local (city) approval. Not all regulation was uniformly applied under this model. In 1984 the Legislature created the Charitable Gambling Control Board to regulate all of charitable gambling. The Board was charged with providing a consistent statewide framework under which nonprofit organizations could raise funds through charitable gambling. This included mandatory rules of conduct (monthly tax filing and a separate gambling account to name a few); issuing, revoking, and suspending licenses (the first license was issued July 1985); registering gambling equipment; and providing an annual report to the governor and Legislature. In addition, the early days of the Board were focused on moving away from local licensing and regulation to a standardized statewide format. Taxes were changed from 6% of gross receipts to 10% of net receipts, and by 1990 more than 2,500 nonprofit organizations had been licensed to conduct year-round gambling in clubs and bars.

The first five years of licensing nonprofit organizations experienced the bulk of the gaming industry's growth and growing pains. From humble beginnings to a billion dollar industry, many began to realize the potential and peril of the gambling industry. It was during this period (1989) that the tax structure was changed to 2% of ideal gross receipts for pull-tabs and tipboards, an additional tax was assessed based on receipts (called combined receipts tax), and the Department of Revenue began collecting tax revenues from distributors and organizations; the Department of Public Safety launched its Gambling Enforcement Division; the IRS began applying federal requirements; the state lottery was approved; and the first of the tribal compacts in Minnesota was signed. This was a tumultuous time for gambling in Minnesota.

### Monthly Board meetings are open to the public and are held at:

Gambling Control Board  
Suite 300 South  
1711 W. County Road B  
Roseville MN

Meetings start at 10:00 a.m.

Monday, July 21, 2014  
Monday, August 18, 2014  
Monday, September 15, 2014  
Monday, October 20, 2014  
Friday, November 21, 2014\*  
Monday, December 15, 2014

Meetings are subject to change. For the latest schedule and agenda go to:  
[www.mn.gov/gcb](http://www.mn.gov/gcb)

\*In St. Cloud in conjunction with ACM convention.

(continued on page 4)

**Continuing Education Classes**

**July 2014 Topic:**

***Legislative Update and Allowable Expenses***

Find out what lawful gambling changes took place at the Legislature this year. Learn about allowable expenses and the costs related to running your gambling operation such as rent, compensation, and the cost of games. The class will identify the most common allowable expenses along with any regulatory restrictions on those payments.

7/22/14 7:00 pm Gambling Control Board  
Suite 300 South  
1711 W. County Road B  
**Roseville** (use south doors)

7/23/14 10:00 am Best Western Kelly Inn  
University Room A  
100 4th Ave. South  
**St. Cloud** (park in south lot along Hwy. 23 or east lot along river)

7/23/14 2:00 pm Crookston Inn & Convention Center  
Banquet Rooms 1 & 2  
2200 University Avenue  
**Crookston**

7/23/14 2:00 pm Hibbing Memorial Building  
Dining Room  
400 East 23rd Street  
**Hibbing**

7/24/14 2:00 pm Lyon County Government Center  
Commissioner Rooms 1 & 2  
607 West Main Street  
**Marshall**

- ✓ Plan ahead! Gambling managers must attend at least **one class** each calendar year.
- ✓ Preregistration is not required to attend.
- ✓ Classes are free and open to the public.

**New Rules Effective June 16**

The rules became effective June 16, 2014. The new rules can be found on the Board's website at [www.mn.gov/gcb](http://www.mn.gov/gcb); click on "Rules" or "What's New". A summary is also posted.

**September and October 2014 Topic:**

***Bar Bingo***

Bar bingo continues to be an increasingly popular form of lawful gambling. This class reviews the equipment you'll need, how to set up your internal controls, how to conduct bingo, and the records that are required to be kept. A sample bingo program along with sample forms are provided.

9/17/14 7:00 pm Holiday Inn  
Courtyard 1 Room  
5637 Hwy. 29 South  
**Alexandria**

9/17/14 7:00 pm South Central College  
Conference Center A  
1920 Lee Boulevard  
**North Mankato** (park in Blue Lot on north side of building; use Door 15)

9/17/14 7:00 pm Ramada Inn  
Grand C Room  
1517 16th Street SW  
**Rochester**

9/17/14 7:00 pm Gambling Control Board  
Suite 300 South  
1711 W. County Road B  
**Roseville** (use south doors)

9/18/14 7:00 pm Country Inn & Suites  
Meeting Room  
15058 Dellwood Drive  
**Baxter**

10/14/14 2:00 pm Riverland Community College  
West Campus  
1900 8th Avenue NW, A106 Room  
**Austin** (park in north lot; use W3 north entrance)

10/14/14 7:00 pm Best Western Kelly Inn, University Room B  
100 4th Ave. South  
**St. Cloud** (park in south lot along Hwy. 23 or east lot along river)

10/15/14 7:00 pm Hibbing Memorial Building  
Dining Room  
400 East 23rd Street  
**Hibbing**

10/16/14 2:00 pm Gambling Control Board  
Suite 300 South  
1711 W. County Road B  
**Roseville** (use south doors)

10/16/14 7:00 pm AmericInn Lodge & Suites  
Fergus Falls Room  
526 Western Avenue  
**Fergus Falls**

Continuing Education Classes	Citations Paid
<p style="text-align: center;"><b>November and December 2014 Topic:</b> <i>Common Problems in the Conduct of Gambling</i></p> <p>This class identifies the most common problems found during compliance reviews and site inspections. Regulatory requirements are explained along with strategies to prevent these problems in your gambling operation.</p> <p>11/4/14 2:00 pm The Plaza Hotel Rosewood II Room 1025 Hwy. 61 East <b>Winona</b></p> <p>11/6/14 2:00 pm C'mon Inn Meeting Room 1586 Hwy. 59 South <b>Thief River Falls</b></p> <p>12/8/14 7:00 pm Gambling Control Board Suite 300 South 1711 W. County Road B <b>Roseville</b> (use south doors)</p> <p>12/9/14 2:00 pm So. Central College, Conference Center A 1920 Lee Boulevard <b>North Mankato</b> (park in Blue Lot on north side of building; use Door 15)</p> <p>12/9/14 2:00 pm Gambling Control Board Suite 300 South 1711 W. County Road B <b>Roseville</b> (use south doors)</p> <p>12/10/14 2:00 pm AmericInn Lodge &amp; Suites Fergus Falls Room 526 Western Avenue <b>Fergus Falls</b></p> <p>12/10/14 2:00 pm Hibbing Memorial Building Dining Room 400 East 23rd Street <b>Hibbing</b></p> <p>12/10/14 2:00 pm Best Western Kelly Inn University Room A 100 4th Ave. South <b>St. Cloud</b> (park in south lot along Hwy. 23 or east lot along river)</p> <p>12/30/14 10:00 am Gambling Control Board Suite 300 South 1711 W. County Road B <b>Roseville</b> (use south doors)</p> <p>12/30/14 2:00 pm Gambling Control Board Suite 300 South 1711 W. County Road B <b>Roseville</b> (use south doors)</p>	<p>Citation amounts for similar violations may vary depending on unique circumstances and information and are issued on a case-by-case basis.</p> <ul style="list-style-type: none"> <li>• <b>International Gamco, Inc., Omaha, NE, License MA010.</b> Produced, sold, and shipped into Minnesota revised pull-tab deals without prior Board approval. \$800 citation.</li> <li>• <b>Arrow International, Inc., Brooklyn, OH, License MA016.</b> Shipped into Minnesota a pull-tab deal with serial number on flare that did not match serial number on tickets. \$600 citation.</li> <li>• <b>Pollard Games, Inc. d/b/a American Games, Council Bluffs, IA, License MA039.</b> Sold and shipped a pull-tab deal to an Indian tribe with the MN symbol printed on the game flare. \$500 citation.</li> <li>• <b>Triple Crown Gaming, Inc., St. Cloud, MN, License D1078.</b> Failed to notify the Board of a delinquent organization. \$250 citation.</li> <li>• <b>Albany Lions Club, License 02337.</b> Prize receipts were not properly completed and winning pull-tabs were not defaced. \$200 citation.</li> <li>• <b>American Legion Post 251, Robbinsdale, License 01173.</b> Failed to file Lawful Gambling Schedules A, C, and F with the Board. \$100 citation.</li> <li>• <b>Apple Valley Hockey Association, License 01711.</b> Serial number for pull-tab deal put into play did not match serial number on flare. \$100 citation.</li> <li>• <b>Andover Football Association, License 36655.</b> Serial number for pull-tab deal put into play did not match serial number on flare. \$100 citation.</li> <li>• <b>Cloquet Amateur Hockey Association, License 01224.</b> Failed to file Lawful Gambling Schedules A, C, and F with the Board. \$50 citation.</li> <li>• <b>Albany Jaycees, License 02474.</b> Dishonesty bond for gambling manager was not maintained; \$250 citation. Conducted gambling without an off-site permit; \$200 citation.</li> <li>• <b>Brooten Commercial Club, License 03575.</b> Conducted gambling without an off-site permit. \$200 citation.</li> <li>• <b>American Legion Post 2, Shakopee, License 00466.</b> Paid licensing fees from general account. \$100 citation.</li> <li>• <b>Barnesville Booster Club, License 02656.</b> Failed to file Schedules A, C, and F with the Board (June and July 2013). \$50 citation for each month.</li> </ul> <p>The following organizations failed to have checks signed by two active members:</p> <ul style="list-style-type: none"> <li>• <b>American Legion Post 261, Kimball, License 00575,</b> \$150 citation.</li> <li>• <b>Crookston Baseball Association, License 93145,</b> \$100 citation.</li> <li>• <b>Plummer Lions Club, License 02402,</b> \$50 citation.</li> <li>• <b>VFW Post 141, Kenyon, License 00019,</b> \$50 citation.</li> <li>• <b>Currie Town &amp; Country Boosters, License 02568,</b> \$50 citation.</li> </ul>

**Director's Report, continued**

Because of the growth in gambling activity, the Legislature increased the Board's staff in 1989 allowing for additional outreach and education. The result was greater communication, technical assistance, and education to assure the state's citizens that lawful gambling is conducted with integrity and in the public interest. In the following years, gambling managers were required to complete a two-day class and complete additional education on a yearly basis. Other items initiated were expense/rental limits, inventory of gambling equipment, annual audits, mandatory internal controls, inventory of gambling equipment, four-day deposits, and monthly gambling fund reconciliation. The 1990s continued to experience a growth in gambling receipts. Minnesota maintained its rank as having the highest charitable gambling gross receipts in the nation.

Streamlining processes became a focus for the Gambling Control Board in the 2000s. Licensing terms changed from one year to two years, and then further changed to perpetual renewal, a cost-savings idea during a lean budget year. A gambling manager's license now runs concurrent with the organization's license, as do premises permits. Electronic transfers and electronic payments were expanded for easier record processing. Expense limits were replaced with the annual lawful purpose star rating to determine profitability. Finally, organizations were able to electronically file monthly schedules with the Gambling Control Board and the Department of Revenue. Welcome to the 21<sup>st</sup> century!

In 2012, the Legislature authorized reductions in lawful gambling tax rates and authorized electronic pull-tabs and linked bingo. While off to a slow start, there are some shining examples of what electronics can bring to an organization's mission. Additionally, charities posted their highest rate of lawful purpose expenditures in 2013.

**Well Done!**

Congratulations to all involved during the past 30 years! Through an intense period of growth followed by downturn and recovery, a solid working relationship between the Gambling Control Board and the licensees was developed, resulting in a more mature industry of which we can all be proud! It's been a remarkable 30 years of raising funds for charitable purposes, providing jobs, and making your communities and Minnesota even better. Let's continue our efforts for another successful 30 years!

**Fun Facts**

Governor Rudy Perpich, Attorney General Hubert Humphrey III, and Public Safety Commissioner Paul Tschida made the first appointments to the Gambling Control Board. Thomas Carey was the first chairperson. The Board started as a 13-member board; it now has seven members.

The first license issued by the Gambling Control Board was to the Fridley American Legion Post 303, License 00001. Conducting bingo, paddlewheels, and both paper and electronic pull-tabs, they are still going strong today after 30 years!

Organizations applied to the Gambling Control Board each year for a license. Each site was licensed individually and gambling managers were constantly renewing permits throughout the year. Now an organization has one license and applies for a premises permits for each site. These and the gambling manager licenses run concurrently and are perpetually renewed by the payment of annual fees.

In the early days, the Board used to approve each license at board meetings. Meetings lasted all day!

Manufacturers delivered winning pull-tabs in a separate envelope in a deal, and sellers were expected to thoroughly mix them into the box with the non-winning tickets.

Once opened, winning pull-tabs did not have lines denoting the winning pattern, nor did they list the winning denomination.

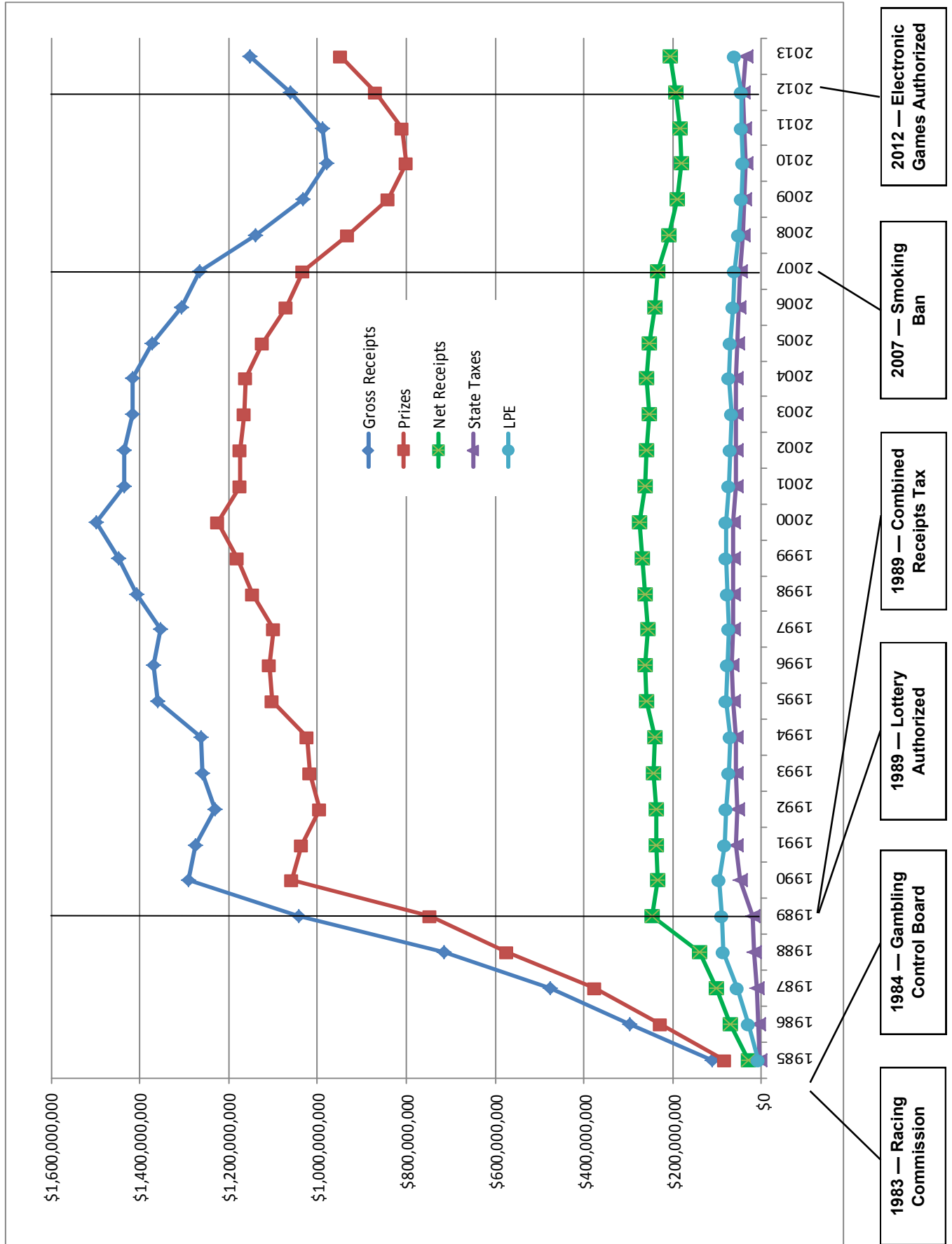
There are two original staff members from the "early years" still working for the Board!

State-approved gambling:

- Gambling Control Board gross receipts since 1985: \$33,411,011,000
- Lottery sales since 1990 (first year of sales): \$9,311,000,000\*
- Racing handle since 1985: \$2,128,600,000\*\*

\*2013 Lottery Annual Report  
\*\*2002, 2004, 2013 Racing Commission Annual Reports

# 30 Years of Minnesota Charitable Gambling



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## Compliance Review Group (CRG) Report

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The CRG, a committee of the Gambling Control Board, meets with licensees to conduct informal inquiries into alleged violations of lawful gambling statutes and rules. This information is a condensed report of recently completed CRG conferences. Penalties imposed are based on specific and unique information reviewed for each licensee.

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### **American Legion Post 54, Red Wing, License 00236**

The organization:

- failed to correct a violation for which a fine was issued; and
- failed to file the required Schedules A, C, and F with the Gambling Control Board.

- \$300 fine.
  - File required Schedules within 30 days from signing the Consent Order.
- 

### **Elks Lodge 1308, Thief River Falls, License 00358**

The organization:

- failed to pay or appeal citations in a timely manner;
- failed to timely file monthly reports to the Gambling Control Board;
- failed to comply with the Board's request, in a timely manner, to meet with Board staff, to conduct a post-compliance review and failed to comply with the Board's request to provide documents to verify that the corrective action required in the Compliance Report had been completed;
- failed to report to its members monthly, on its gross receipts, expenses, profits, and expenditures of profits from lawful gambling;
- failed to make deposits of gambling receipts within four business days of the close of the game;
- failed to maintain a monthly perpetual inventory and failed to provide a physical inventory record of its pull-tab games;
- failed to maintain a monthly physical inventory of its pull-tab games in play and pull-tab games purchased but not yet in play;
- failed to maintain accurate physical and perpetual inventory systems, and to reconcile the records on a monthly basis;
- failed to maintain internal controls sufficient to protect the integrity of its lawful gambling; and
- conducted lawful gambling without the sufficient supervision of a licensed gambling manager.

- \$1,000 fine.
  - File Corrective Action Plan.
  - Focused Compliance Review.
- 

### **Faribault Wrestling Club, License 07193**

Failed to correct the violation for which a fine was issued.

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- \$200 fine.
- 

### **American Legion Post 435, Richfield, License 00227**

The organization:

- failed to present a monthly report that contained all of the required information to its members;
- failed to obtain approval from its members of its allowable expenses;
- made expenditures of gambling funds which do not qualify as lawful purpose or allowable expense;
- failed to maintain sufficient supporting documentation of its expenditure records;
- filed false and inaccurate information with the Department of Revenue and the Gambling Control Board;
- failed to comply with the Board's request in a timely manner to meet with Board staff to conduct a focused-compliance review, and failed to comply with the Board's request to provide documents to verify that corrective action required in the Compliance Report had been completed;
- made a false statement in a document, application, or report required to be submitted to the Board;
- failed to expend a minimum of 30% of gross profits for lawful purpose expenditures;
- failed to maintain gambling funds in separate accounts;
- failed to maintain internal controls sufficient to protect the integrity of its lawful gambling; and
- conducted lawful gambling without the sufficient supervision of a licensed gambling manager.

- License revoked for one year.
- File Termination Plan.
- Reimburse gambling account \$199,188.12.

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**CRG Report (continued)**

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**American Legion Post 251, Robbinsdale, License 01173**

The organization:

- failed to pay or appeal a \$100 citation issued by the Gambling Control Board;
  - failed to file all required monthly Schedules with the Board; and
  - failed to correct violations for which a fine was previously imposed.
- License suspended for 30 days.
  - Must provide records and complete the Compliance Review.
  - File all Schedules A, C, and F through April 2014.
  - Focused Compliance Review.

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**Piedmont Heights Hockey Association, Duluth, License 02912**

The organization failed to maintain internal controls sufficient to protect the integrity of its lawful gambling.

- \$250 fine.
- After six months if shortages exceed .3% of gross receipts, must sell pull-tabs at the Saginaw Grand Lake Station via a pull-tab dispensing device and the lessor must provide the start-up banks.
- Focused Compliance Review.

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**Mankato Sertoma Club, License 03311**

The organization:

- failed to maintain internal controls sufficient to protect the integrity of its lawful gambling;
  - filed inaccurate information with the Gambling Control Board and the Department of Revenue; and
  - failed to deface prize winning tickets.
- \$350 fine.
  - Focused Compliance Review.
  - After six months if shortages exceed .3% of gross receipts, must sell pull-tabs at the South Street Saloon via a pull-tab dispensing device and the lessor must provide the start-up banks.

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**Leech Lake Amateur Hockey Association, License 30852**

The organization:

- failed to maintain adequate records on its raffles;
  - failed to maintain accurate physical and perpetual inventory systems, and to reconcile the records on a monthly basis;
  - filed inaccurate information with the Gambling Control Board and the Department of Revenue;
  - failed to reconcile its profit carryover with its cash balance on hand;
  - failed to properly use or complete the required forms;
  - conducted non-compliant raffles;
  - failed to maintain a copy of the ticket or certificate of participation or unsold tickets;
  - failed to maintain lawful gambling records for a minimum of 3-1/2 years;
  - failed to comply with the Board's request in a timely manner to meet with Board staff, conduct a post-compliance review, and comply with the Board's request to provide documents to verify that the corrective action required in the Compliance Report had been completed;
  - failed to deposit all gambling receipts into its gambling bank account; and
  - failed to maintain internal controls sufficient to protect the integrity of its lawful gambling.
- \$1,000 fine.
  - Resolve all issues in the Compliance Review.
  - File correct, amended returns for all activity.
  - Reconcile profit carryover variance and gambling bank account balance.
  - Focused Compliance Review.

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

**PRSR STD  
 U.S. POSTAGE PAID  
 PERMIT 171  
 TWIN CITIES MN**

State offices will be closed on September 1, November 11, 27 & 28, and December 25, 2014.

**Trends in Lawful Gambling Gross Receipts**

NOTE: Figures for the current calendar year are subject to change due to amended, corrected, or late tax returns.

	<b>Calendar Year 2014</b>	<b>% Change from 2013</b>	<b>Calendar Year 2013</b>	<b>% Change from 2012</b>	<b>Calendar Year 2012</b>
<b>January</b>	\$96,156,960	5.7%	\$90,942,826	6.1%	\$85,725,000
<b>February*</b>	\$95,635,896	4.3%	\$91,657,765	0.2%	\$91,452,000
<b>March</b>	\$116,947,116	7.4%	\$108,927,248	8.2%	\$100,646,000
<b>April</b>	\$107,991,665	2.6%	\$105,292,410	12.6%	\$93,531,000
<b>May</b>	*\$102,557,220	-4.3%	\$107,117,420	18.4%	\$90,490,000
<b>June</b>			\$93,435,148	7.4%	\$87,017,000
<b>July</b>			\$95,582,721	9.0%	\$87,676,892
<b>August</b>			\$99,795,923	9.6%	\$91,064,684
<b>September</b>			\$97,893,603	9.0%	\$89,844,888
<b>October</b>			\$102,238,728	9.8%	\$93,138,531
<b>November</b>			\$100,895,436	8.5%	\$93,005,036
<b>December</b>			\$98,073,055	1.7%	\$96,451,203
<b>YTD Total</b>	\$519,288,857	3.0%	\$1,191,652,283	8.3%	\$1,100,042,234

\*98% of organizations reporting.

Note: June 2012 and prior figures provided by MN Dept. of Revenue

**Gambling Control Board** ..... [www.mn.gov/gcb](http://www.mn.gov/gcb)  
 Roseville ..... 651-539-1900  
 St. Peter ..... 507-931-5112  
 Hibbing ..... 218-262-7301  
 Fergus Falls ..... 218-739-7402

**Dept. of Revenue** .... [www.revenue.state.mn.us/businesses/lawful\\_gambling](http://www.revenue.state.mn.us/businesses/lawful_gambling)  
 Lawful Gambling Tax Unit ..... 651-297-1772  
 Email: [lawfulgambling.taxes@state.mn.us](mailto:lawfulgambling.taxes@state.mn.us)

**Department of Public Safety** ..... [www.dps.mn.gov](http://www.dps.mn.gov)  
 Alcohol & Gambling Enforcement ..... 651-201-7500, ext. 2

**Internal Revenue Service**  
 Forms ..... 1-800-829-1040  
 Questions ..... 651-312-7716

**Minnesota's Bookstore** ..... [www.comm.media.state.mn.us](http://www.comm.media.state.mn.us)  
 ..... 651-297-3000; 1-800-657-3757

**Minnesota Problem Gambling Helpline....[www.nojudgment.com](http://www.nojudgment.com)...1-800-333-HOPE**