



Minnesota Gambling Control Board
An Equal Opportunity Employer

GAMING NEWS

October/November/December 2015

Director's Column Tom Barrett, Executive Director

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Committee: Rules (chair)

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Committees: Legislative

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Committees: CRG; Rules

Trends in Gaming

I recently attended the annual G2E Conference, organized by the American Gaming Association. G2E includes charitable gaming, casino, pari-mutuel, and lottery vendors and regulators from across the country. The conference shows trends and cutting-edge technology in gaming. As previously reported in the April/May/June 2014 *Gaming News*, the trend in gaming continues toward electronic gaming. While not all forms of gambling or issues fit within existing charitable gaming laws in Minnesota, trends show the future of gaming is all about demographics.

Mobile technology is taking shape, and regulators, state legislatures, and the industry struggle to keep up. While markets are sometimes slow to accept change, it appears that the forward movement in electronics is inevitable and change is around the corner. It's designed to capture the millennials' attention and entertainment dollars but still compete with other forms of gaming and entertainment. New games are being created with more bonus features and play, which extend the play experience and cater to the technology-savvy millennials.

My take away from the conference for Minnesota is that vendors and organizations alike need to know their customers, both existing and upcoming. While paper is still extremely viable in Minnesota, it is advantageous to look at the trends to maximize your organization's efforts to raise charitable dollars, today and in the future.

(continued on page 3)

**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.

Upcoming meetings:

Friday, November 20, 2015*
Monday, December 21, 2015

Meetings are subject to
change. For the latest
schedule and agenda go to:

www.mn.gov/gcb

*Duluth, MN (DECC)

Gaming News is Going Digital!

The next publication of the *Gaming News* will be digitally distributed.

Starting with the January/February/March 2016 issue, the Gambling Control Board will email the *Gaming News* to gambling managers and chief executive officers (CEOs) who submit their email addresses. *Gaming News* issues will always be available on the Board's website at www.mn.gov/gcb (click on the "Publications" tab).

If you are a **current gambling manager or CEO**, email the Board at gamingnews@gcb.state.mn.us to be added to the distribution list. In your email, please identify your name, position, and the license number of your organization.

All **new gambling managers and CEOs** will be required to submit an email address with their submission of the LG212 Gambling Manager Application and LG200B Officers Affidavit form.

Did You Know?	Continuing Education Classes
<p style="text-align: center;">Lawful Gambling Taxes and the New Stadium</p> <p>Did you know that taxes on all forms of lawful gambling, after the first \$36.9 million each year, go toward the stadium debt? That's taxes from <i>all</i> forms—bingo (paper and electronic), paddlewheels, pull-tabs (paper and electronic), raffles, and tipboards.</p> <p>A little history: When the stadium legislation was going through the legislative process in 2012, charitable gambling was tapped as a potential source of funds. The idea at the time was to also allow electronic linked bingo and pull-tabs, thus increasing fundraising opportunities for charities and increasing charitable gambling tax revenues. In the year prior to the legislation, \$36.9 million was paid in lawful gambling taxes. The Legislature decided that anything over \$36.9 million would go towards stadium bond payments. There were changes to the lawful gambling tax structure, and voila—the stadium bill passed.</p> <p>The myth that taxes from only electronic pull-tabs go toward the stadium persists. When the media calls, it doesn't seem to matter how much data is provided—they've got their soundbite and aren't letting it go despite the facts. And the current fact is that nearly half of the 2016 stadium bond payment will come from charitable gaming taxes.</p> <p>But more importantly, for charitable gaming the legislation created an additional method of fundraising. And we're seeing many sites with electronic gaming with sales and net receipts at rates much higher than anticipated—and that's a positive for charities.</p> <hr style="width: 25%; margin-left: auto; margin-right: auto;"/> <p style="text-align: center;"><i>The myth that taxes from only electronic pull-tabs go toward the stadium persists.</i></p> <p style="text-align: center;"><i>But did you know that nearly half of the 2016 stadium bond payment will come from taxes paid from charitable gambling?</i></p>	<p style="text-align: center;">November/December 2015 Topic: Lawful Gambling Expenditures</p> <p>A common question at organizations' meetings is, "Can we use gambling funds to pay for that?" The purpose of this class is to help you answer that question correctly. The class is suitable for gambling managers and your organization's members, as they are required to approve all gambling fund expenditures.</p> <p>11/30/15 St. Cloud 2:00 pm Best Western Kelly Inn Congress/Senate Room 100 4th Ave. South, St. Cloud</p> <p>12/3/15 Fergus Falls 2:00 pm AmericInn Lodge & Suites Fergus Room 526 Western Avenue, Fergus Falls</p> <p>12/3/15 Hibbing 2:00 pm Hibbing Memorial Building Dining Room 400 East 23rd Street, Hibbing</p> <p>12/16/15 Roseville 2:00 pm Gambling Control Board Suite 300 South 1711 W. County Road B, Roseville</p> <p>12/17/15 North Mankato 2:00 pm South Central College Conference Center A 1920 Lee Boulevard, North Mankato</p> <p>12/28/15 Roseville 2:00 pm Gambling Control Board Suite 300 South 1711 W. County Road B, Roseville</p> <p>12/29/15 Roseville 10:00 am Gambling Control Board Suite 300 South 1711 W. County Road B, Roseville</p> <p>12/29/15 Roseville 2:00 pm Gambling Control Board Suite 300 South 1711 W. County Road B, Roseville</p> <ul style="list-style-type: none"> • Plan ahead. Gambling managers must attend at least one class each calendar year. • As of mid-October 2015, 46% of gambling managers still need to attend a class before January 1, 2016. • Preregistration is not required to attend. • Classes are free and open to the public.

Gaming Trends (continued from page 1)

The 2015 Legislature made some changes in law that make it easier for organizations to participate in electronics, if they so choose:

1. Conducting electronics only. Organizations who wish to conduct only electronics at a site may now do so where another organization conducts paper pull-tabs. Consent from the other organization is required.
2. Registering players/recordkeeping. Organizations no longer must record player information from drivers' licenses before issuing an electronic device. Organizations must still verify the player is 18 or older, but organizations are not required to record the information unless cashing out a device with \$600 or more. This change reduces the seller's time to activate electronic devices for players' use.
3. Frequency of making deposits for proceeds from electronic games. The requirement went from every four business days to when \$2,000 in site net receipts is reached or on or before the first of the month, whichever comes first.

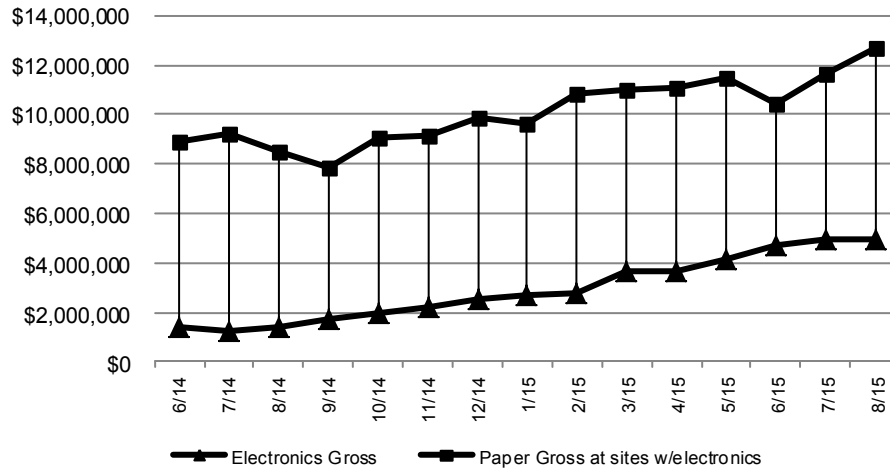
This saves time and money making bank runs—the statute now takes into account the amount of profits received through electronic gaming before making deposits.

4. Reporting. Organizations do not have to prepare a separate Schedule B2 for electronic pull-tab games; they are now reported on an occasion basis, similar to how bar bingo is reported. This law further reduced paperwork.

Electronic pull-tab sales increased significantly over the past year, from \$21.1 million in fiscal year 2014 to \$34.5 million in fiscal year 2015, yet only 9% of sites offer electronic games. (Paper pull-tab sales at sites with electronic gaming continue to do very well, and we have not seen the expected drop in sales.) If your organization wishes to conduct electronics, contact your friendly licensed distributor.

The chart below shows the effect of electronic pull-tab sales on paper pull-tab sales. In almost all months, paper kept pace with or did better than electronics. The decision is your organization's to make.

Paper and Electronic Pull-Tab Gross Receipts at sites with electronic pull-tabs



FY 2015 Top 11 Electronic Pull-Tab Sites

Site	Organization	Electronic Pull-Tab Gross Receipts
Skarda's, St. Paul	St. Paul Firefighters Local 21	\$1,292,275
Mully's On Madison, Mankato	Prairie Ecology Bus Center	\$1,263,586
Phat Pheasant Pub, Windom	Prairie Ecology Bus Center	\$ 983,765
Double R Saloon, Grey Eagle	Grey Eagle Burtrum Lions Club	\$ 940,966
Franke's Bar, St. Paul Park	St. Paul Park Newport Lions	\$ 847,016
Ace Bar, St. Cloud	Granite City Lumberjacks, Inc.	\$ 813,578
Beck's Pub, Becker	Clear Lake Lions Club	\$ 636,026
Herby's Bar & Grill, Carlos	Carlos Lions Club	\$ 546,116
Pub & Patio, New Ulm	New Ulm Youth Wrestling	\$ 538,611
Eagles Aerie 269, Mankato	Eagles Aerie 269, Mankato	\$ 500,486
Friends Bar and Grill, Waite Park	Granite City Lumberjacks, Inc.	\$ 495,354

Who Is Prohibited from Playing Electronic Pull-Tabs?

The Board has received questions about who may purchase or play electronic pull-tabs. Whether paper or electronic, a pull-tab is a pull-tab when it comes to statutes and rules regarding who is allowed to play.

The following people are prohibited by law from purchasing or playing electronic pull-tabs.

In General	Employees	Volunteers
Anyone under age 18 may not purchase or play electronic pull-tabs.	Employees (organization or lessor) involved in paper or electronic pull-tabs, electronic linked bingo, or paddlewheels using a table may not play electronic pull-tabs at the site where they work.	Volunteers (organization or lessor) involved in paper or electronic pull-tabs, electronic linked bingo, or paddlewheels using a table may not play electronic pull-tabs at the site where they volunteer.
The gambling manager of the organization conducting the games may not play electronic pull-tabs.	Employees (organization or lessor) involved in tipboards or paddlewheels without a table may not play electronic pull-tabs at the site where they work.	Volunteers involved in the conduct of tipboards with more than 32 chances per game may not play electronic pull-tabs at the site where they volunteer.
If the organization leases space for electronic pull-tabs, then the lessor (owner) and the lessor's immediate family may not play at that leased site.	Employees (organization or lessor) involved in the conduct of non-linked bingo (paper or hard card bingo) during a bingo occasion may not play electronic pull-tabs during that occasion.	Volunteers involved in the conduct of tipboards with 32 chances or less per game or paddlewheel without a table may not play electronic pull-tabs at the site on the same day they volunteer (but may on days they don't work).
		Volunteers (organization or lessor) involved in the conduct of non-linked bingo (paper or hard card bingo) during a bingo occasion may not play electronic pull-tabs during that occasion.

FY15 Lawful Gambling Gross Receipts, by County

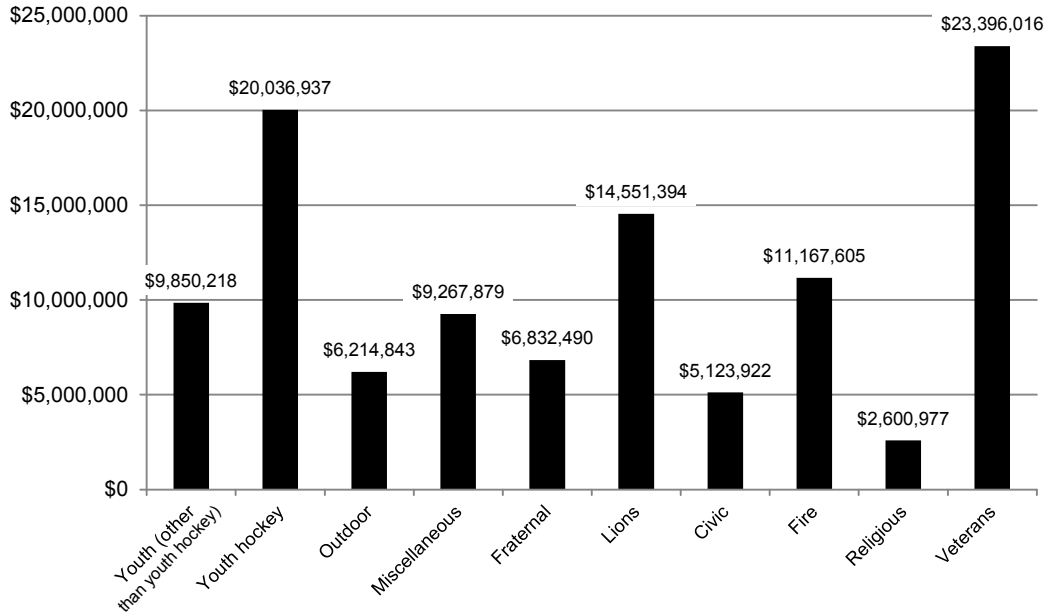
Aitkin	\$15,156,115	Isanti	\$13,817,109	Polk	\$19,478,659
Anoka	\$132,819,590	Itasca	\$10,867,085	Pope	\$7,745,786
Becker	\$11,150,468	Jackson	\$404,408	Ramsey	\$110,786,421
Beltrami	\$6,208,603	Kanabec	\$5,156,507	Red Lake	\$1,978,466
Benton	\$12,633,386	Kandiyohi	\$7,854,458	Redwood	\$1,534,071
Big Stone	\$473,993	Kittson	\$1,375,144	Renville	\$3,504,324
Blue Earth	\$16,955,017	Koochiching	\$3,696,145	Rice	\$11,002,269
Brown	\$6,386,381	Lac qui Parle	\$2,755,139	Rock	\$1,030,851
Carlton	\$8,949,757	Lake	\$2,287,816	Roseau	\$3,755,811
Carver	\$20,830,005	Lake of the Woods	\$4,603,293	Scott	\$24,376,683
Cass	\$12,019,725	Le Sueur	\$8,195,856	Sherburne	\$31,110,585
Chippewa	\$3,451,636	Lincoln	\$281,102	Sibley	\$3,529,893
Chisago	\$20,703,604	Lyon	\$1,883,256	St. Louis	\$39,473,371
Clay	\$15,916,734	Marshall	\$4,507,970	Stearns	\$45,118,448
Clearwater	\$2,622,783	Martin	\$8,694,087	Steele	\$8,180,585
Cook	\$1,736,981	McLeod	\$10,007,130	Stevens	\$1,575,368
Cottonwood	\$2,745,520	Meeker	\$5,571,393	Swift	\$7,027,444
Crow Wing	\$35,009,435	Mille Lacs	\$14,587,818	Todd	\$11,226,969
Dakota	\$93,084,598	Morrison	\$16,418,018	Traverse	\$90,632
Dodge	\$3,483,699	Mower	\$6,919,942	Wabasha	\$6,144,734
Douglas	\$26,293,815	Murray	\$901,235	Wadena	\$4,106,380
Faribault	\$3,955,499	Nicollet	\$7,705,833	Waseca	\$4,312,162
Fillmore	\$8,805,401	Nobles	\$1,194,459	Washington	\$50,453,077
Freeborn	\$5,443,284	Norman	\$972,086	Watsonwan	\$3,587,811
Goodhue	\$6,550,222	Olmsted	\$19,485,698	Wilkin	\$875,817
Grant	\$2,526,343	Otter Tail	\$21,503,545	Winona	\$13,037,499
Hennepin	\$186,073,974	Pennington	\$9,002,410	Wright	\$59,633,216
Houston	\$5,665,228	Pine	\$7,456,134	Yellow Medicine	\$1,446,235
Hubbard	\$8,846,300	Pipestone	\$256,017		

By the Numbers; Fiscal Year 2015*

FY15 Numbers by Category of Licensed Organization

The chart and table below show, by category of licensed organization, the gross receipts, lawful purpose expenditures (LPE), gross profits, percentage spent on LPE, and star rating as a group for FY15.

FY15 LPE by Category



Category	Description	Gross Receipts	Gross Profit (gross receipts less prizes)	Total LPE	LPE%	Star rating as a group
Youth	Youth sports other than hockey, youth arts, and other youth activities	\$120,599,459	\$21,553,572	\$9,850,218	45.7%	4
Youth Hockey	Youth hockey associations and ice arenas	\$233,699,891	\$38,155,413	\$20,036,937	52.5%	5
Outdoor	Snowmobile, conservation, ATV, sportsmen's clubs, etc.	\$75,773,547	\$13,462,943	\$6,214,843	46.2%	4
Miscellaneous	Festivals, animal shelters, arts, libraries, medical, etc.	\$111,174,396	\$19,462,199	\$9,267,879	47.6%	4
Fraternal	Eagles, Elks, Moose, Jaycees, etc.	\$88,987,091	\$15,086,012	\$6,832,490	45.3%	4
Lions	Lions Clubs	\$187,311,937	\$30,050,191	\$14,551,394	48.4%	4
Civic	Chambers of commerce, commercial clubs, community clubs, lake associations, etc.	\$65,365,610	\$11,280,385	\$5,123,922	45.4%	4
Fire	Firefighter relief associations	\$141,668,296	\$23,208,730	\$11,167,605	48.1%	4
Religious	Churches, church schools, Knights of Columbus	\$31,462,615	\$6,004,727	\$2,600,977	43.3%	4
Veterans	American Legions, VFWs, auxiliaries, servicemen's clubs, etc.	\$283,462,418	\$48,531,444	\$23,396,016	48.2%	4
	Total/Average ALL ORGS	\$1,339,505,260	\$226,795,616	\$109,042,281	47.1%	

* Numbers may slightly change due to amended filings. Does not include organizations that did not actively conduct gambling for the entire fiscal year or organizations that did not submit accurate monthly reports to the Board in time to be included in this summary.

Common LG100A Reporting Mistakes

Attention Filers!

The most common mistake organizations make when reporting site activity on an LG100A (formerly Schedule A) has to do with the site permit number. The top three errors with regard to site permit numbers include:

Common Error #1: The incorrect site number or no site number is entered on the LG100A.

- Verify your site permit number from your licensing paperwork.

Common Error #2: Reporting for a discontinued site.

- If you have additional sites, there should be no need for reporting a discontinued site.
- If you discontinue at your only site, the site permit number should be reported as "998".

Common Error #3: Off-site premise activity is reported on a permitted site number or site number is made up.

- When reporting for activity for an off-site permit, use site number "999".

Taking the time to verify your site permit number information will save you time down the road. If you have any questions, please contact your Compliance Specialist.

Citation Report

Citation amounts for similar violations may vary depending on unique circumstances and information, and are issued on a case-by-case basis.

The following organizations failed to file Lawful Gambling Schedules A, C, and F with the Board:

- **Watkins Lions Club, Watkins**, License 01608. (February & March 2015) \$250 citation.
- **Watkins Lions Club, Watkins**, License 01608. (April 2015) \$100 citation.
- **Finlayson & Giese Lions Club, Finlayson**, License 02158. (January 2015) \$100 citation.
- **North Tartan Area Girls Basketball Boosters, Oakdale**, License 03101. Failed to comply with Board requests for documentation. \$500 citation.
- **American Legion Post 284, Cass Lake**, License 01082. Failed to comply with Board requests for documentation. \$500 citation.
- **Morristown Firemen's Relief Association, Morristown**, License 01949. Pull-tab game proceeds repeatedly not properly reported on LG861. \$350 citation.
- **Mantorville Restoration Association, Mantorville**, License 01982. Failed to timely provide documentation to the Board. \$300 citation.
- **American Legion Post 56, Albert Lea**, License 00213. Excessive cash shortages. \$200 citation.
- **American Legion Post 255, Brainerd**, License 00529. Made erroneous deposits into gambling account and transferred funds without Board approval. \$200 citation.
- **Shaokatan Sportsmen Club, Lake Benton**, License 02672. Internal controls/premises inspection violations. \$150 citation.
- **Eagles Aerie 703 Lookout, Austin**, License 00412. Prize receipts were not completed correctly. \$100 citation.
- **Farmington Firefighters Relief Association, Farmington**, License 04609. Gambling equipment not secured. \$100 citation.
- **Perham Lions Club, Perham**, License 00851. Check not signed by two active members. \$50 citation.
- **American Legion Post 550, Bloomington**, License 00234. Check not signed by two active members. \$50 citation.

Compliance Review Group (CRG) Report

The CRG, a committee of the Gambling Control Board, meets with licensees to conduct informal inquiries into alleged violations of lawful gambling statutes/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.

VFW Post 1350, North St. Paul, License 00016

The organization:

- 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 maintain accurate physical and perpetual inventory systems, and to reconcile the records on a monthly basis;
- failed to maintain records that account for its assets, liabilities, and fund balance;
- filed inaccurate information with the Department of Revenue;
- failed to timely file required monthly schedules and returns with the Gambling Control Board and the Department of Revenue;
- failed to reconcile its profit carryover with its cash balance on hand;
- failed to complete a monthly bank reconciliation which listed outstanding checks, deposits in transit, and beginning and ending book balances for the month which correspond to the profit carryover;
- conducted raffles which were not in compliance;
- failed to include all required information on its raffle tickets and/or detachable stubs and certificates of participation; and
- conducted lawful gambling without the sufficient supervision of a licensed gambling manager.

Consent Order Requirements:

- \$2,000 fine.
- File a Corrective Action Plan.
- CEO and one member must attend Gambling Manager Seminar and pass the exam.
- Reconcile/reimburse profit carryover variance.
- Resolve all compliance review issues.
- File accurate amended schedules for September 2013 to current.
- Focused compliance review.

Northfield Hockey Association, Northfield, License 34088

The organization:

- 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 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;
- failed to maintain deposit records which were sufficient to allow determination of deposits made from each deal or game at each permitted premises;
- failed to make deposits of gambling receipts within four business days of the close of the game;
- made expenditures of gambling funds which do not qualify as allowable expenses;
- failed to expend a minimum of 30% of gross profits on lawful purpose expenditures during fiscal year 2014;
- failed to reconcile its profit carryover with its cash balance on hand;
- failed to obtain an off-site permit to conduct lawful gambling;
- failed to maintain adequate bingo records;
- failed to file all monthly Schedules required to be filed with the Gambling Control Board for the period of March 2015 through June 2015; and
- conducted lawful gambling without the sufficient supervision of a licensed gambling manager.

Consent Order Requirements:

- 60-day license suspension.
- File a Corrective Action Plan.
- Resolve all issues of compliance review.

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

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State offices will be closed on November 11, 26, and 27; and December 25, 2015.

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.

	Calendar Year 2015	% Change from 2014	Calendar Year 2014	% Change from 2013	Calendar Year 2013
January	\$112,611,624	16.9%	\$96,311,012	5.8%	\$91,073,625
February	\$111,334,678	15.8%	\$96,133,463	4.9%	\$91,683,377
March	\$127,295,241	8.5%	\$117,276,302	7.5%	\$109,096,758
April	\$120,480,874	11.0%	\$108,505,995	3.1%	\$105,232,271
May	\$121,824,677	15.7%	\$105,309,209	-1.6%	\$107,059,895
June	\$111,792,420	11.4%	\$100,342,863	7.3%	\$93,475,338
July	\$116,591,038	13.6%	\$102,594,953	7.2%	\$95,735,197
August	\$120,434,136	13.3%	\$106,328,468	6.5%	\$99,881,245
September	\$111,929,467*	6.6%	\$105,007,235	7.1%	\$98,005,255
October			\$113,320,415	10.8%	\$102,246,539
November			\$105,811,080	4.8%	\$100,977,686
December			\$112,585,787	14.7%	\$98,137,795
YTD Total	\$1,054,294,156	12.4%	\$1,269,526,782	6.4%	\$1,192,604,981

* 94% of organizations reporting

Gambling Control Board 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
 Lawful Gambling Tax Unit 651-297-1772
 Email: lawfulgambling.taxes@state.mn.us

Department of Public Safety www.dps.mn.gov
 Alcohol & Gambling Enforcement 651-201-7500, ext. 3

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

Minnesota's Bookstore www.comm.media.state.mn.us
 651-297-3000; 1-800-657-3757

Minnesota Problem Gambling Helpline...www.nojudgment.com...1-800-333-HOPE