



Minnesota Gambling Control Board

GAMING NEWS

January/February/March 2017

Board Members:

William Goede, Chair (Plainview)
Committee: Executive

Geno Fragnito, Vice Chair (Woodbury)
Committees: Executive; CRG;
Rules; Legislative

William Gillespie, Secretary (St. Paul)
Committees: Executive; Legislative (chair)

Norm Pint (New Prague)
Committees: CRG (chair)

James Nardone (Grand Rapids)
Committee: Rules (chair)

Kenneth Koch (Eagan)
Committees: Legislative; Rules

Beth Pinkney (Woodbury)
Committees: CRG

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:
Monday, March 20, 2017
Monday, April 17, 2017
Monday, May 15, 2017
Monday, June 19, 2017

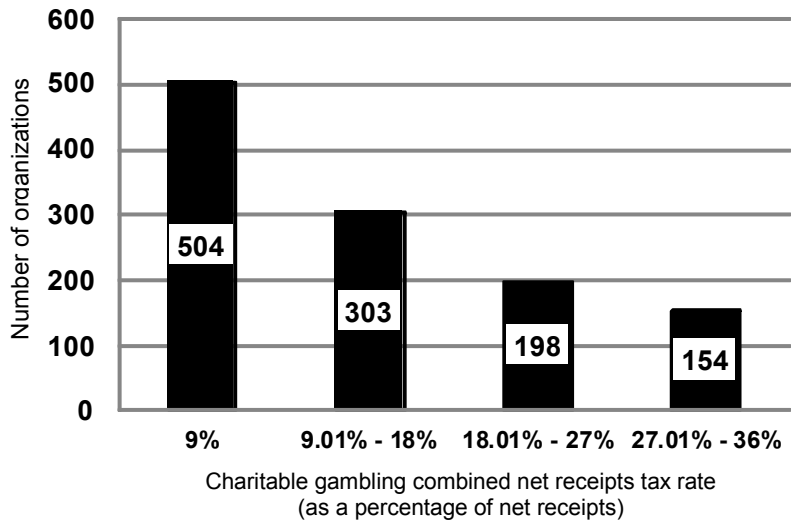
Meetings are subject to change. For the latest schedule and agenda go to www.mn.gov/gcb.

The *Gaming News* is published quarterly. Current and previous issues are available on our website, www.mn.gov/gcb

Director's Column Tom Barrett, Executive Director

FY16 Tax Breakdown

The combined net receipts tax is a progressive tax based on an organization's cumulative annual net receipts from paper and electronic pull-tabs, electronic linked bingo, tipboards, and interest earned. Organizations pay a 9% rate on the first \$87,500, then 18% on the next \$35,000, 27% on the \$35,000 after that, and then 36% on net receipts over \$157,500. For example, an organization with annual net receipts of \$90,000 pays 9% tax on the first \$87,500 and 18% on the remaining \$2,500. Although the organization did pay 18% on some of its net receipts, the organization's average tax rate for the entire year was 9.25%. The chart below shows the number of organizations whose average tax rates fell into each range.



Sales Up Seventh Year in a Row!

Initial fiscal year 2017 numbers from July 2016 through December 2016 indicate continued growth—gross receipts are up 11.2% compared to those same six months of FY16! See page 4 for a month-by-month comparison for 2011 through 2016.

Electronic Sales Also Continue to Rise

Combined monthly gross receipts from electronic pull-tabs and electronic linked bingo have seen a dramatic increase of over 121% during the past year. Year-over-year electronic game gross receipts are up from \$6.7 million in December 2015 to \$14.8 million in December 2016.

The substantial growth in monthly gross receipts is the result of both an increased number of sites offering electronic games and an increase in the average gross receipts per site. At the end of 2015, there were 283 active sites with reported average monthly gross receipts of \$23,800. One year later, sites had more than doubled. There are over 600 sites with average monthly gross receipts of \$26,200.

Paper pull-tab sales at sites with electronic gaming are also enjoying large increases. See the chart on the bottom of page 4.

2017 Continuing Education Classes

March and April Topic:

Membership Role in Lawful Gambling Oversight

Your membership plays a key role in running a successful lawful gambling operation. Membership oversight includes verifying the accuracy of records and reports, authorizing all lawful purpose expenditures and allowable expenses, monitoring for illegal gambling, investigating cash variances, determining product to be purchased, and monitoring the organization's lawful purpose star rating. If organization members do their job, major problems will be prevented.

- 3/28/2017 **Grand Rapids**
6:00 pm Sawmill Inn, Blandin A Room
2301 South Pokegama Avenue
- 3/29/2017 **St. Cloud**
6:00 pm Best Western Kelly Inn
Congress/Senate Room
100 4th Avenue South
- 3/30/2017 **Roseville**
6:00 pm Gambling Control Board, Suite 300 So.
1711 W. County Road B
- 4/5/2017 **Detroit Lakes**
6:00 pm Minnesota State Community and
Technical College, C101 Auditorium
900 Highway 34 East
- 4/5/2017 **Fairmont**
6:00 pm Holiday Inn, Hall Room
1201 Torgerson Drive
- 4/5/2017 **Rochester**
6:00 pm Kahler Apache, Grand C Room
1517 16th Street SW

June Topic:

Lawful Gambling Expenditures

Is that expenditure a charitable contribution or an allowable expense? Can we pay the entire trash hauling invoice with gambling funds? Can we donate to an adult baseball field? Learn the difference between allowable expenses and lawful purpose expenditures, and the proper way to approve and pay both.

- 6/12/2017 **Hibbing**
6:00 pm Hibbing Memorial Building
Dining Room
400 East 23rd Street
- 6/13/2017 **Roseville**
6:00 pm Gambling Control Board
Suite 300 South
1711 W. County Road B
- 6/14/2017 **North Mankato**
6:00 pm South Central College
Conference Center A
1920 Lee Boulevard
- 6/14/2017 **St. Cloud**
6:00 pm Best Western Kelly Inn
Congress/Senate Room
100 4th Avenue South
- 6/14/2017 **Thief River Falls**
6:00 pm Quality Inn
Room A
1060 Hwy 32 South

Changing Organization Officers?

Is your organization changing CEO or treasurer? If so, you are required by rule to notify the Board **within ten days of the change**. Use LG200B Organization Officers Affidavit to report the change (for the most current version, go to www.mn.gov/gcb, Forms tab). To avoid a citation, be sure to submit the LG200B within ten days.

September, October, December 2017 Classes Also Scheduled!

September, October, and December classes are also available! For dates, locations, and topics, visit www.mn.gov/gcb, "Education" tab.

Congratulations to the Top 10 Highest % of Net Charitable Donations!

On page 5 you will find the Top 10 organizations with the highest percentage of FY16 net receipts spent on charitable contributions. The charts are broken down by organizations with under \$50,000 net; between \$50,000 and \$100,000 net; \$100,000 to \$200,000 net; and over \$200,000 net. Congratulations to these organizations!

Continuing Education Requirement

Gambling managers are required to attend at least one continuing education class each calendar year. Don't wait until the end of the year to attend one of these required classes!

- 14 citations were issued to gambling managers who failed to meet the continuing education requirement for CY16.
- Preregistration is not required to attend.
- Classes are free and open to the public.

REMINDER: Who May and May Not Play

Unfortunately, we still occasionally find an ineligible player playing/participating in lawful gambling. With the exception of a few instances illustrated in the chart below, if you are involved with the conduct of lawful gambling at a site you may not participate in lawful gambling at that site.

“Involved in the conduct” means that the person does one or more of the following:

- sells or redeems tickets, bingo hard cards, bingo paper, or electronic bingo faces;
- provides electronic devices to players;
- redeems electronic credits;
- audits games;
- makes deposits;
- spins a paddlewheel;
- conducts inventory or completes inventory records; or
- selects or announces bingo numbers.

Your organization may also be more restrictive by listing additional restrictions in your House Rules.

To avoid a possible citation or CRG sanction, be sure only eligible persons play.

You may wish to print and post the one-page Who May/May Not Play chart (also shown below) available on the www.mn.gov/gcb homepage, far right column.

**State of Minnesota Gambling Control Board
Who May/May Not Play**

	Paper Pull-Tabs	Electronic Pull-Tabs	Tipboards	Raffles	Paddle-wheels	Paper Bingo	Electronic Linked Bingo
Gambling Manager	NO	NO	NO	NO	NO	NO	NO
Gambling Manager immediate family (spouse, child, parent, sibling)	YES	YES	YES	YES	YES	YES	YES
Persons involved in conduct¹ of pull-tabs, tipboards, paddlewheels, and electronic linked bingo²	While working:	NO	NO	NO	YES	NO	NO
	While not working:	NO	NO	NO	YES	NO	YES
Persons involved in conduct¹ of paper bingo or hard card bingo if not working that occasion	YES	YES	YES	YES	YES	YES	YES
Volunteers involved in mini-paddlewheels/ tipboards (32 numbers or less) if not working that day	YES	YES	YES	YES	YES	YES	YES
Lessor of premises	NO	NO	NO	NO	NO	NO	NO
Lessor immediate family (spouse, child, parent, sibling)	NO	NO	NO	YES	NO	YES	NO
Persons under age 18	NO	NO	NO	NO	NO	NO³	NO

¹ “Conduct” includes selling or redeeming any games or equipment; auditing games or handling money; spinning a paddlewheel; conducting inventory verification; completing bingo occasion records; and selecting or announcing bingo numbers.

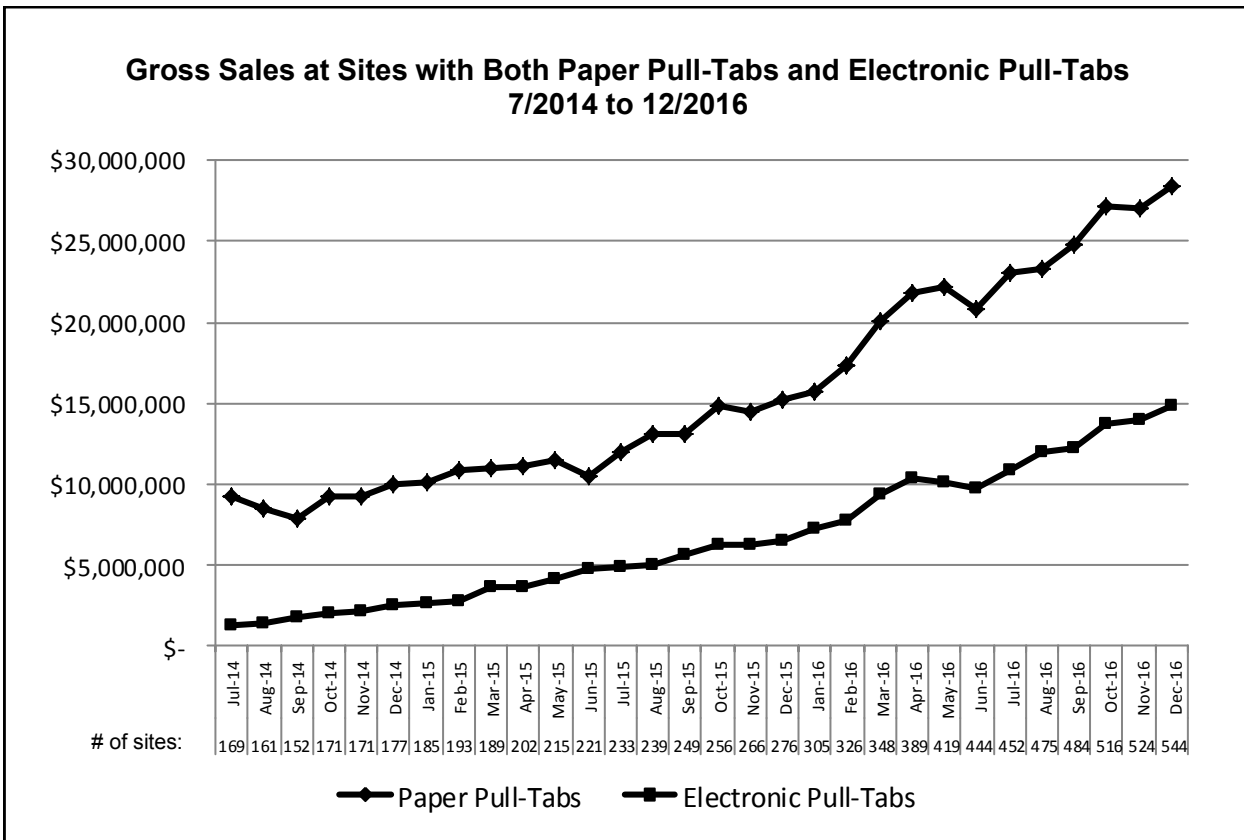
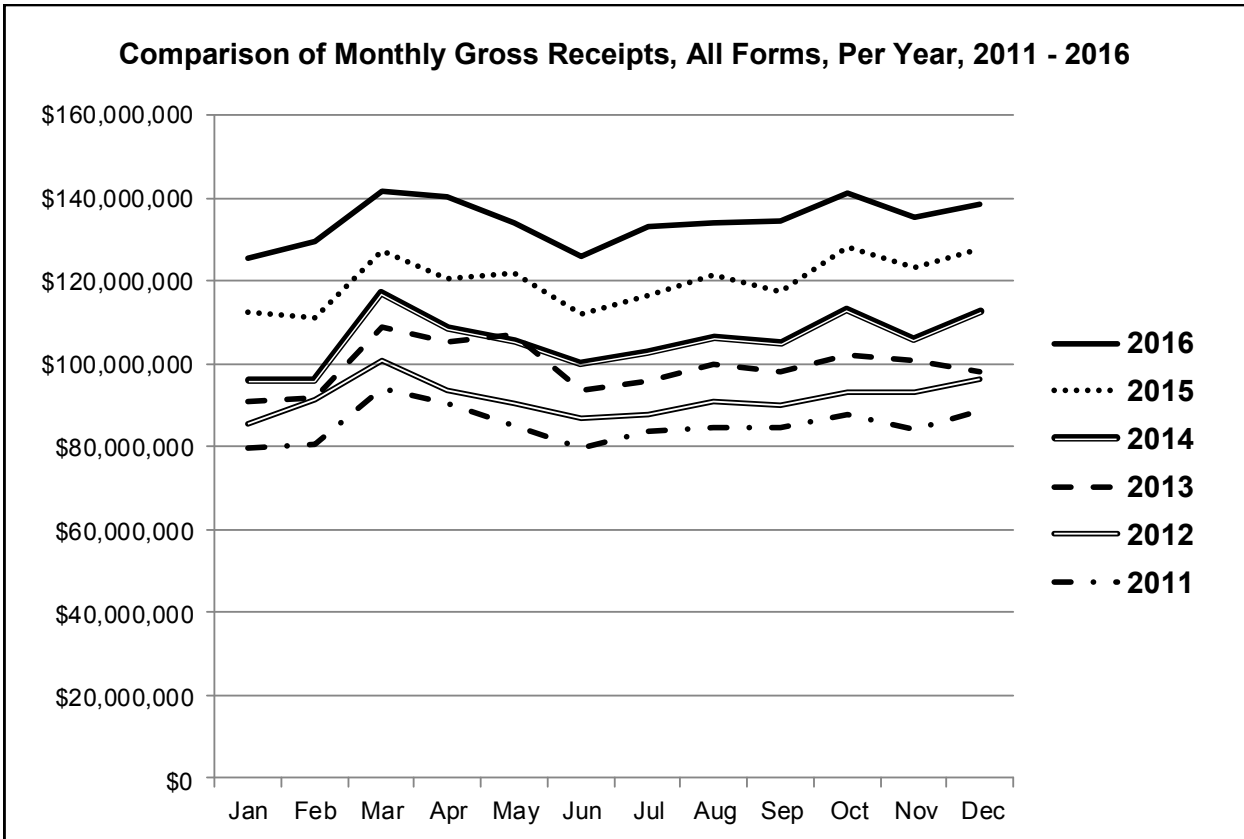
² Restriction in effect until two weeks after no longer involved in conduct.

³ Exception: A person under 18 may play paper bingo ONLY if accompanied by a parent or guardian and if the event is exempt or excluded from licensing, or part of an annual community event.

Your organization may impose additional restrictions in its House Rules.

Questions? Call 651-539-1903 to speak with a Compliance Specialist.

Gross Receipts Up



Top 10 Organizations with Highest % of FY16 Donations

Under \$50,000 Net			
Organization	FY16 Charitable Donations	FY16 Net	Charitable Donations as % of Net
Montgomery Area Community Club	\$13,619	\$8,272	164.6%
Caledonia Volunteer Fire Relief Association	\$41,893	\$44,036	95.1%
Camp Winnebago, Caledonia	\$15,000	\$16,263	92.2%
Heritage Community Center, Thief River Falls	\$6,800	\$8,213	82.8%
Morton Fire Relief Association	\$17,200	\$20,819	82.6%
American Legion Post 464, Brewster	\$26,309	\$33,823	77.8%
Cottonwood Co. Game & Fish Protective League	\$21,080	\$28,036	75.2%
Lake City Chamber Of Commerce	\$7,444	\$10,174	73.2%
Lakes Area Senior Activity Center, Brainerd	\$7,016	\$9,770	71.8%
Sts. Peter & Paul Church, Richmond	\$15,000	\$21,028	71.3%
\$50,000 - \$100,000 Net			
Organization	FY16 Charitable Donations	FY16 Net	Charitable Donations as % of Net
Duelm Area Lions Club, Clear Lake	\$62,483	\$78,016	80.1%
Red Lake Falls Blue Line Club	\$56,266	\$82,067	68.6%
Knights of Columbus Council, 1575 Fairmont	\$47,203	\$68,944	68.5%
Medford Fire Relief Association	\$56,650	\$83,454	67.9%
Nelson Community Association	\$60,000	\$91,994	65.2%
Chatfield Athletics Club	\$51,088	\$81,641	62.6%
Basilica of St. Stanislaus Kostka, Winona	\$44,800	\$72,124	62.1%
St. Joseph Jaycees	\$34,313	\$56,745	60.5%
Rocori Community Booster Club	\$31,783	\$53,570	59.3%
Knights of Columbus Council 1573, Montgomery	\$44,776	\$75,870	59.0%
\$100,000 - \$200,000 Net			
Organization	FY16 Charitable Donations	FY16 Net	Charitable Donations as % of Net
Holy Trinity Church, Winsted	\$84,900	\$131,564	64.5%
East Grand Forks Blue Line Club	\$68,172	\$106,114	64.2%
Aitkin Quarterbacks Club	\$68,561	\$119,502	57.4%
St. Rosa Jaycees, Freeport	\$73,058	\$129,374	56.5%
Sleepy Eye Arena Association	\$64,098	\$117,673	54.5%
Mazeppa Lions Club	\$93,999	\$175,056	53.7%
Lions Club of Waconia	\$97,321	\$182,015	53.5%
Urbank Lions Club	\$65,424	\$127,115	51.5%
Brooten Commercial Club	\$82,308	\$166,598	49.4%
St. Cloud All-City High School Band	\$53,500	\$109,241	49.0%
Over \$200,000 Net			
Organization	FY16 Charitable Donations	FY16 Net	Charitable Donations as % of Net
Ted Williams Museum & Hitters Hall of Fame	\$302,625	\$562,832	53.8%
Lancer Youth Hockey Association, La Crescent	\$110,000	\$214,833	51.2%
Eagles Aerie 2368, Thief River Falls	\$143,565	\$291,708	49.2%
Lakes Area Youth Service Bureau, Inc., Forest Lake	\$101,596	\$212,679	47.8%
Brandon Fire Relief Association	\$108,000	\$227,832	47.4%
St. Louis Park Hockey Boosters Association	\$445,903	\$1,012,251	44.1%
Rosemount Area Hockey Association	\$183,539	\$420,257	43.7%
Elbow Lake Fire Relief Association	\$96,275	\$220,607	43.6%
Midway Speedskating Club, Inc., Shoreview	\$463,481	\$1,080,479	42.9%
Goodhue Lions Club	\$88,286	\$215,153	41.0%

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 2793, Thief River Falls, License 00404

The organization had four violations: Failure to maintain internal controls sufficient to protect the integrity of its lawful gambling; failure to make deposits of gambling receipts within four business days of the close of the game; failure to file accurate information with Revenue; and conducting lawful gambling with sufficient supervision of a licensed gambling manager.

Consent Order Requirements:

- \$2,000 fine.
 - File Corrective Action Plan.
 - Reconcile/reimburse gambling bank account.
 - Compliance Review.
-

Glencoe Lions Club, Glencoe, License 02235

The organization had four violations: Failure to comply with the Board's request in a timely manner to meet with Board staff to conduct a post-compliance review and to comply with the Board's request to provide documents to verify that the corrective action required in the Compliance Review had been completed; failure 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; filing false and inaccurate information with the Board and Revenue; and failure to correct violations for which a fine was previously imposed.

Consent Order Requirements:

- \$1,000 fine.
 - Reconcile/reimburse gambling account.
 - Maintain zero profit carryover variance for six months.
-

American Legion Post 333, Kasson, License 00363

The organization had two violations: Failure to correct violations for which a fine was previously imposed, and failure to reconcile its profit carryover with its cash balance on hand.

Consent Order Requirements:

- \$1,000 fine.
 - File Corrective Action Plan.
 - File accurate reports for 07/15-10/16.
 - Reconcile/reimburse gambling account.
 - Maintain a zero profit carryover variance for one year.
-

Elks Lodge 133, Duluth, License 01001

The organization had ten violations: Failure to comply with the Board's request in a timely manner to conduct a post-compliance review and to comply with the Board's request to provide documents to verify that the corrective action required in the Compliance Review had been completed; failure to maintain records on its perpetual and physical inventory; failure to maintain accurate physical and perpetual inventory systems and to reconcile the records on a monthly basis; filing inaccurate information with the Gambling Control Board and Revenue; failure to maintain correct and complete accounting records; failure to maintain internal controls sufficient to protect the integrity of its lawful gambling; failure to accurately complete LG100F reports; failure to accurately report its pull-tab games; failure to correctly complete prize receipt forms for winning pull-tabs; and failure to maintain adequate bingo records.

Consent Order Requirements:

- \$1,000 fine.
 - File Corrective Action Plan.
 - File accurate reports for 03/16-11/16.
 - Focused Compliance Review.
-

American Legion Post 228, Waseca, License 00135

The organization had two violations: Failure to file all required monthly reports with the Board accounting for its lawful gambling activity; and failure to correct violations for which a fine was previously imposed.

Consent Order Requirements:

- \$500 fine.
 - File Corrective Action Plan.
 - File accurate reports for 04/16-09/16.
-

Cannon Falls Fire Relief Association, License 03129

The organization had three violations: Allowed gambling employees to participate as players in the conduct of lawful gambling on the leased premises; failure to correctly complete prize receipt forms for winning pull-tabs; and failure to conduct lawful gambling with sufficient supervision of a licensed gambling manager.

Consent Order Requirements:

- \$500 fine.
 - Premises permit for Chugger's revoked for two years.
-

VFW Post 1216, Austin, License 00167

Illegal gambling occurred at VFW Post 1216 premises.

Consent Order Requirements:

- Premises permit for VFW Post 1216, Austin, suspended 30 days.
-

CRG Report, continued

American Legion Post 71, Duluth, License 00966

The organization had three violations: Failure to comply with the Board's request in a timely manner to meet with Board staff to conduct a post-compliance review and failure to comply with the Board's request to provide documents to verify that the corrective action required in the Compliance Report had been completed; failure to file accurate information with the Gambling Control Board and Revenue; and failure to reconcile its profit carryover with its cash balance on hand.

Consent Order Requirements:

- \$500 fine.
- File Corrective Action Plan.
- File accurate reports for 01/16-10/16.
- Reconcile/reimburse gambling account.
- Focused Compliance Reviews in 9 and 15 months.

American Legion Post 298, Foley, License 00138

The organization had nine violations: Failure to correct violations for which a fine was previously imposed; failure to maintain records on its perpetual and physical inventory; failure to maintain accurate physical and perpetual inventory systems and to reconcile the records on a monthly basis; failure to maintain deposit records which were sufficient to allow determination of deposits made from each deal or game at each permitted premises; failure to file accurate information with the Gambling Control Board and Revenue; making expenditures of gambling funds which do not qualify as lawful purpose or allowable expense; failure to reconcile its profit carryover with its cash balance on hand; failure to accurately complete LG100F reports; and failure to deface prize winning tickets.

Consent Order Requirements:

- \$500 fine.
- File Corrective Action Plan.
- File accurate LG100F reports for 01/13-10/16.
- Reconcile/reimburse gambling account.
- Focused Compliance Review.

Eagles Aerie 2469, Grand Rapids, License 01038

The organization had two violations: Failure to file all required monthly reports with the Board accounting for its lawful gambling activity; and failure to correct violations for which a fine was previously imposed.

Consent Order Requirements:

- \$500 fine.
- File accurate reports for 05/16-09/16.
- File Corrective Action Plan.

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 meet minimum lawful purpose expenditure percentage for two consecutive fiscal years:

- **Babe Ruth League, Brooklyn Park**, Lic. 03273. \$1,000 citation.
- **American Legion Post 251, Robbinsdale**, Lic. 01173. \$650 citation.
- **Eagles Aerie 2342 Past Presidents Club, Detroit Lakes**, Lic. 04238. \$250 citation.

The following organizations failed to file annual audit with the Department of Revenue:

- **National Exchange Club of Little Falls**, Lic. 00976; \$100 citation.
- **VFW Post 2735, Isanti**, Lic. 00291; \$100 citation.
- **American Legion Post 333, Kasson**, Lic. 00363; \$100 citation.
- **American Legion Post 523, Golden Valley**, Lic. 00991; \$100 citation.
- **West St. Paul Commercial Club**, Eagan, Lic. 01042; \$100 citation.
- **Duluth Softball Players Association**, Lic. 02794; \$100 citation.
- **Lanesboro Fire Relief Association**, Lic. 03119; \$100 citation.
- **Brooten Commercial Club**, Lic. 03575; \$100 citation.
- **VFW Post 1720, Grand Rapids**, Lic. 00356; \$100 citation.

Other violations:

- **Dodge County Youth Hockey Association, Inc., Kasson**, Lic. 32530. Allowed employee to purchase pull-tabs at place of employment. \$300 citation.
- **American Legion Post 262, Cloquet**, Lic. 00355. Failed to maintain documentation to support all expenditures. \$250 citation.
- **Scandia Marine Lions Club**, Lic. 06419. Changes in application information not submitted to Board within ten days. \$150 citation.
- **Henderson Fire Department Relief Association**, Lic. 02409. Failed to file Lawful Gambling Reports LG100A, LG100C, and LG100F with the Board (May 2016). \$100 citation.
- **VFW Post 1215, Rochester**, Lic. 00405. Failed to file Lawful Gambling Reports LG100A, LG100C, and LG100F with the Board (May 2016). \$100 citation.
- **Minnesota Youth Athletic Services, Spring Lake Park**, Lic. 04819. Failed to maintain DVR equipment to ensure quality of paddlewheel recording. \$100 citation.
- **New Ulm Youth Wrestling Association**, Lic. 07195. Checks not signed by two active members. \$50 citation.
- **Preston Fire Relief Association**, Lic. 36712. Conducted gambling without off-site permit. \$50 citation.

In the News

Upcoming Rules Process

Now that the lawful gambling industry has had 4-1/2 years of electronics experience, the Board is proposing rules to modify the conduct and standards for electronic games. A Public Advisory Committee (PAC) has been formed and is meeting to do initial review of the proposed rules.

A copy of the latest draft can be found at mn.gov/gcb (under the "Statutes & Rules" tab). The most current version is always posted.

We anticipate starting the formal process this spring. Please check our website regularly for official notices. Meanwhile, please email comments on the rules draft to peggy.mancuso@gcb.state.mn.us.

2017 Legislative Session

The Board is not proposing any legislative changes during the 2017 session. As always, we will work with any industry proposals by way of providing background information and feedback.

If changes to lawful gambling statutes are enacted during the 2017 legislative session, we will post a summary on our website.

Prize Receipt Time Requirement Reminder!

Remember, prize receipts must now include the time a prize was won. Minnesota Rules, 7861.0260, Subpart 5, paragraph B(5), effective August 15, 2016, reads:

"(5) the date **and time** the prize was won or, for electronic pull-tabs and electronic linked bingo, the date **and time** credits of \$600 or more were cashed out;"

10% Contribution Fund Checks to Cities

If your city or county requires your organization to contribute to a 10% fund, your check must be written to the city or county, and not to any other entity. This is because state law requires the 10% fund contributions be deposited into a city-administered and city-regulated fund. If you have questions, please contact Peggy at peggy.mancuso@gcb.state.mn.us.

March Madness—Sports Betting

With March Madness right around the corner be sure your organization and charitable gambling site avoid illegal sports betting. Illegal gambling could result in the suspension of your organization's license or premises permits.

State offices will be closed on May 29 and July 4, 2017.

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 2016	% Change from 2015	Calendar Year 2015	% Change from 2014	Calendar Year 2014
January	\$125,537,735	11.5%	\$112,620,188	16.9%	\$96,311,012
February	\$129,473,531	16.3%	\$111,330,121	15.8%	\$96,133,463
March	\$141,828,750	11.4%	\$127,305,824	8.6%	\$117,276,302
April	\$140,230,020	16.4%	\$120,470,829	11.0%	\$108,505,995
May	\$134,197,267	10.1%	\$121,832,038	15.7%	\$105,309,209
June	\$125,731,516	12.3%	\$111,947,518	11.6%	\$100,342,863
July	\$132,992,795	14.1%	\$116,534,777	13.4%	\$102,740,059
August	\$133,896,171	10.4%	\$121,272,628	14.1%	\$106,332,839
September	\$134,255,659	14.2%	\$117,577,509	12.0%	\$105,008,478
October	\$141,385,728	10.3%	\$128,201,031	13.1%	\$113,331,522
November	\$135,467,572	9.8%	\$123,385,303	16.6%	\$105,837,706
December	\$138,350,709	8.6%	\$127,559,552	13.3%	\$112,611,439
YTD Total	\$1,613,347,453	12.0%	\$1,440,037,318	13.4%	\$1,269,740,887

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 Enforcement651-201-7500, ext. 3

Internal Revenue Service
 Forms www.irs.gov/forms-pubs or 1-800-829-3676
 Questions www.irs.gov or 1-800-829-1040

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

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

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