

Director's Column

Tom Barrett, Executive Director

Charitable Gambling Sales Up Eighth Year in a Row

Happy New Year to an industry that continues to grow! Initial fiscal year 2018 numbers from July 2017 through December 2017 indicate continued growth—**gross receipts** are up 16.2% compared to those same six months of FY17. On average, **net receipts** for the first six months of FY18 are up 13.8%. That's money organizations take to the bank! See page 4 for month-by-month comparisons.

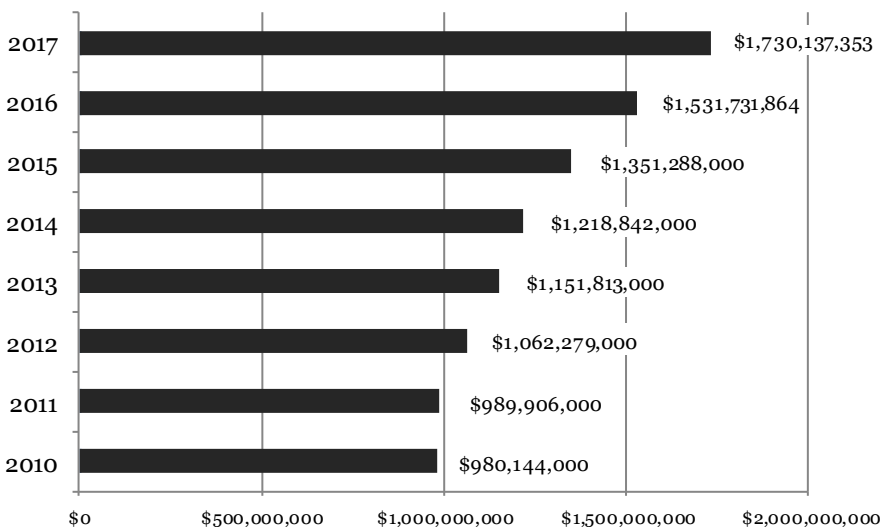
Electronic Game Sales Continue to Rise

Combined monthly gross receipts from electronic pull-tabs and electronic linked bingo have seen an impressive increase of over 87% during the past year. Year-over-year electronic game gross receipts have just about doubled, from \$15.4 million in December 2016 to \$29.3 million in December 2017.

The substantial growth in monthly gross receipts can be attributed to an increased number of sites offering electronic games and to an increase in the average gross receipts per site. At the end of 2017, there were 833 active sites with reported average monthly electronic gross receipts of \$35,000. Electronic pull-tabs are now in over 30% of lawful gambling sites.

Paper pull-tab sales at sites with electronic gaming continue to enjoy increases as well. See the chart on page 5.

Charitable Gambling Gross Receipts Past 8 Years



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)

Committee: CRG (chair)

James Nardone
(Grand Rapids)

Committee: Rules (chair)

Kenneth Koch (Eagan)

Committees: Legislative; Rules

Beth Pinkney (Woodbury)

Committee: CRG

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

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

Meetings start at 10:00 a.m.

Upcoming meetings:

Monday, March 19, 2018
Monday, April 16, 2018
Monday, May 21, 2018
Monday, June 18, 2018

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.



Attention Gambling Managers: Continuing Education Requirement

Citations were issued to the organizations of 14 gambling managers who failed to meet calendar year 2017 continuing education requirements. Don't let this be you!

Remember, gambling managers are required to attend at least one continuing education class each calendar year. Preregistration is not required to attend, and classes are free and open to the public.

Plan ahead—don't wait until the end of the year to attend one of these required classes.

Reminder When Changing Organization Officers!

If your organization changes CEO or treasurer, be sure to notify the Board **within ten days of the change**. To meet this rule requirement, use the LG200B 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 of the change.

Continuing Education Classes

Topic: Current Issues in Lawful Gambling Oversight

Hibbing - Hibbing Memorial Building, Monday, April 23, 2018, 6:00 p.m.
Fergus Falls - AmericInn Lodge & Suites, Tuesday, April 24, 2018, 6:00 p.m.
North Mankato - South Central College, Tuesday, April 24, 2018, 6:00 p.m.
Roseville - Gambling Control Board, Tuesday, April 24, 2018, 6:00 p.m.

Roseville - Gambling Control Board, Tuesday, May 8, 2018, 2:00 p.m.
Rochester - Kahler Apache, Tuesday, May 8, 2018, 6:00 p.m.
St. Cloud - Best Western Kelly Inn, May 16, 2018, 6:00 p.m.

Marshall - Lyon County Government Center, Wed., June 6, 2018, 6:00 p.m.
Duluth - Country Inn & Suites Duluth North, Thursday, June 7, 2018, 6:00 p.m.
Roseville - Gambling Control Board, Tuesday, June 12, 2018, 10:00 a.m.
Thief River Falls - Ralph Engelstad Arena, Tuesday, June 12, 2018, 6:00 p.m.

Complete location information is located on our website at www.mn.gov/gcb under the **Education** tab.

If Your Organization Pays a 3% Local Regulatory Tax, this Article is for You!

As a result of Gambling Control Board staff working with local units of government to gain uniformity in reporting the 3% lawful gambling regulatory tax, several cities are refunding unincurred 3% tax money back to charities. As you know, cities may impose an up to 3% regulatory tax, but only to cover costs incurred to regulate lawful gambling. Some cities did not incur costs, as shown by high balances carried forward from year to year.

We are happy to report that several cities are refunding unincurred regulatory tax money back to the charities, which is good news for the charities' bottom lines! If your organization receives a refund, contact your Compliance Specialist for instructions on how to report the refund.

A city or county may only impose a local gambling tax if it does not charge an investigation fee or other local tax on lawful gambling. For cities, regulating lawful gambling includes things like site inspections, compliance reviews, and corrective action. To see which cities impose this tax and what those balances are, go to **3%/10% City Reports** under the **Reports & Legislation** tab on our website. The CY16 reports show how much the cities collected and how they spent those funds. We do see inconsistencies in reporting and actual expenses, and our work with the cities this past year should improve standardization in the CY17 reports.

On a related note, if your organization has a site located in a city that imposes a 3% lawful gambling regulatory tax on your organization, that city may not also collect a sales tax on gambling products or equipment.

Minnesota Department of Revenue Notice Number 99-11 states that when a local jurisdiction chooses to impose a local gambling tax for costs incurred in regulating lawful gambling under Minnesota Statutes, Section 349.213, such a local tax is in lieu of other local taxes and local investigation fees on lawful gambling. So when a local jurisdiction imposes the local gambling tax under Minnesota Statutes, Section 349.213, subdivision 3, there is no authority for the imposition of a local sales tax on the sale of gambling equipment from distributors to organizations used in the conduct of lawful gambling. Examples of lawful gambling equipment include pull-tabs, tipboards, bingo paper, bingo balls, and bingo ball selection devices.

Revenue's Notice Number 99-11 can be found at:
www.revenue.state.mn.us/law_policy/revenue_notices/RN_99-11.pdf

Does Your Organization Play Progressive Bingo? Read This for Important Information!

A progressive bingo game is defined as a game in which the established prize levels increase from one game or occasion to the next up to a predetermined amount if the required pattern is not completed within the specified number of bingo numbers selected and called during the previous game or occasion.

Q. What ball count do you usually start with on a blackout progressive bingo? I read on another site they suggest 49.

A. The starting ball count is often in the 40's or low 50's. We don't keep data on that but, based on other established bingo programs, starting numbers in the 20's or 30's are uncommon.

Q. How does a consolation prize work? Do you have to give one out?

A. Each bingo game must have a prize. If the game is not won in the specified number of balls, then a consolation prize, defined in the program, must be awarded.

Q. How detailed does the bingo program have to be with the progressive bingo?

A. Pretty specific. For example, "Starts at \$300 and 49 numbers. Increases by \$100 and one number for each occasion not won, up to a maximum of \$1,000. Consolation prize is \$50." The Lawful Gambling Manual, page 79, has a couple more examples. www.mn.gov/gcb/lawful-gambling-manual.html (see Chapter 6)

Q. Can we charge two different prices to play? Can we have \$1.00 sheets to play 14 regular type bingos with 70% payback, and have \$2.00 sheets for the 15th bingo which would be the progressive bingo (a blackout)?

A. Yes, you can have bingo paper priced at \$1.00 for some games and \$2.00 for others. Use different color paper to indicate which sheets were sold at each price. The distributor invoice has to specify the selling price of the paper. Also, page 80 of the Lawful Gambling Manual describes

alternative prize levels based on the selling price of the paper if you sell two different prices of paper for the same game.

Q. Do we keep a separate cash game bank for the progressive portion of the bingo?

A. Most organizations do not keep a separate cash bank for progressive games. They do make sure that they have enough cash on hand for the bingo occasion to pay the winner if the prize goes out. Or, they make sure someone from the organization is there with the checkbook and two members can sign the check if the prize goes out. Another option for a bingo prize of \$200 or more is to deliver it to the winner within three business days of the day on which the occasion was conducted (Minnesota Statutes, Sec. 349.17).

Q. How do we report the money that builds for the progressive?

A. Report the actual gross receipts, prizes paid, and net receipts for the occasion. On your occasion paperwork, you track the number of balls called and the progression of the prizes.

Q. How do we report when the progressive pot goes out?

A. When the progressive pot goes out report the actual gross receipts, prizes paid, and net receipts for the occasion. When the pot goes out, there may be negative receipts for that occasion.

Q. Is there anything else I need to know about bingo?

A. If the bingo prize for a game is \$1,200 or over, federal paperwork needs to be filled out. Refer to IRS publication 3079, page 22. www.irs.gov/pub/irs-pdf/p3079.pdf

Further questions about withholdings should be directed to the IRS or to your accountant.

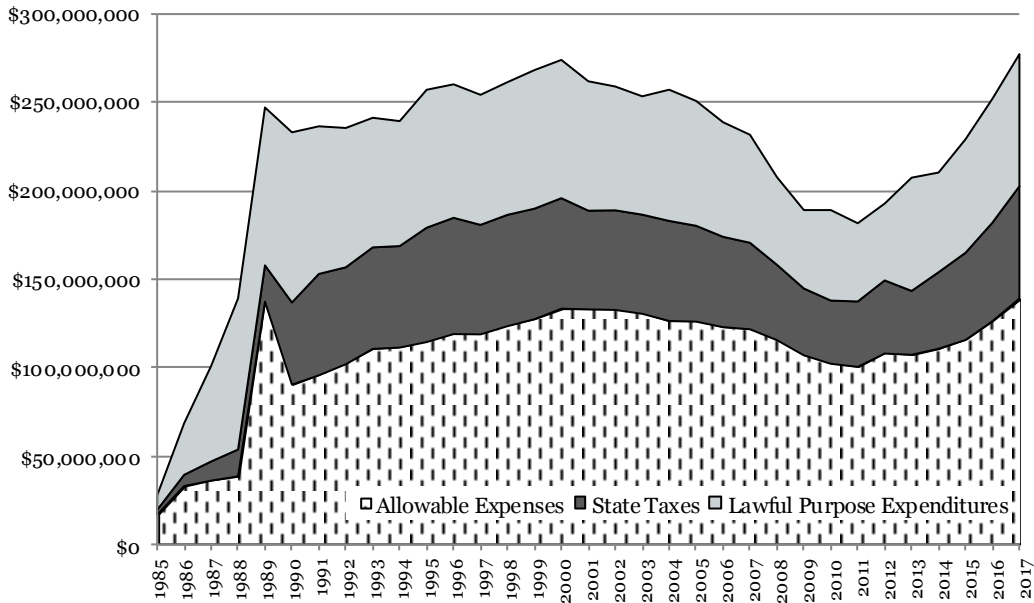


If you have questions on progressive bingo games, contact your Compliance Specialist.

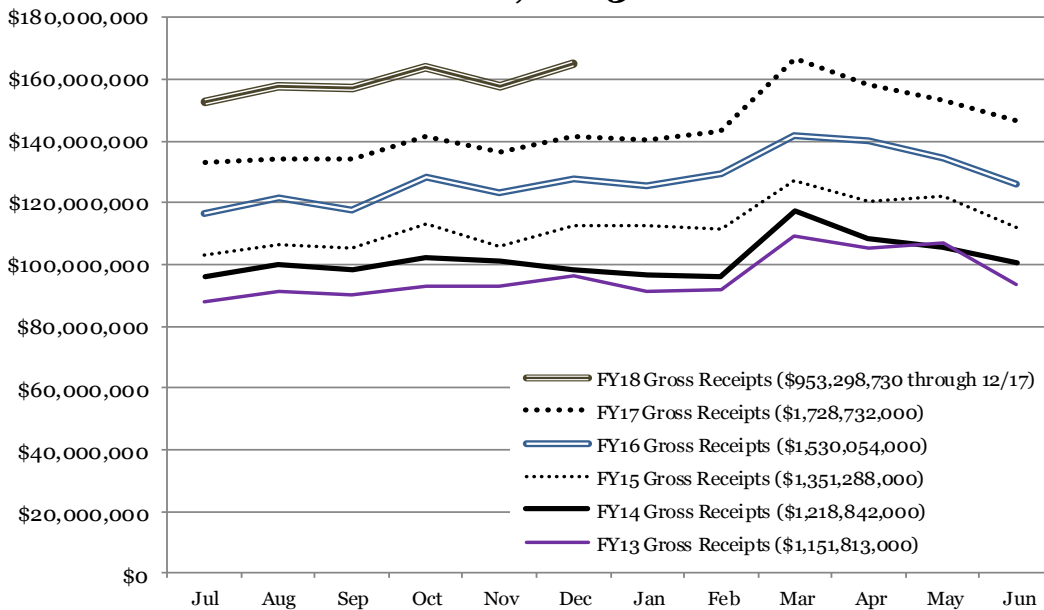
YTD Monthly Net Receipts, FY17 vs. FY18

	FY17 Total <u>Net Receipts</u>	FY18 Total <u>Net Receipts</u>	<u>% Change</u>
July	\$21,501,909	\$24,101,932	12.09%
August	\$21,651,841	\$24,818,477	14.63%
September	\$21,892,503	\$24,905,157	13.76%
October	\$22,877,496	\$25,722,601	12.44%
November	\$21,956,532	\$24,867,470	13.26%
December	\$22,549,856	\$26,343,779	16.82%

Distribution of Net Receipts, 1985–2017



Comparison of Monthly Gross Receipts All Forms, FY13-FY18



Keeping Your Cash Secure

From starting cash bank to deposit, keeping your cash secure is essential to your organization's success. Successful lawful gambling operations implement strong internal controls to protect cash. Using a safe to keep cash stored securely until deposited is a good internal control; posting the combination is not, and a resulting fund loss request would be denied. The same goes for hanging the safe key on a hook above the safe.

Keeping Cash Safe Until Deposit

- Use a safe to keep cash secure. Heavy (not easily carried) safes offer the best protection. Many organizations bolt the safe to the floor.
- Keep the safe locked at all times—do not leave the safe open or unattended.
- Change the combination, password, or PIN frequently, especially when there is employee turnover.
- Never post the safe combination, password, or PIN, or hang the key near the safe.

Fund Loss Facts

- Last year, the Board considered over \$100,000 in fund losses.

- Burglaries, typically break-and-enter but not always, are two-thirds of all reported fund losses. A significant number of these are denied due to not securing funds in the safe, leaving cash easily accessible, or keeping cash in a drawer after hours.
- Theft, which can be unexplained missing funds or employee theft, is one-fourth of all reported fund losses. Nearly two-thirds of these are denied because of poor internal controls.
- Missing games due to poor internal controls/ accountability are almost always denied.
- Counterfeit bill fund loss requests are not usually approved. Make sure employees use pens and lights to detect fake bills, and be wary of lessors trying to pass off counterfeit bills to the charity. See page 3 of the October/November/December 2013 *Gaming News* for additional information on counterfeit bills.
- The Board will not positively consider the fund loss request if the loss is not timely reported to local law enforcement or reported to the Board within 60 days.

Implementing and maintaining solid internal control procedures will help protect your organization's funds.

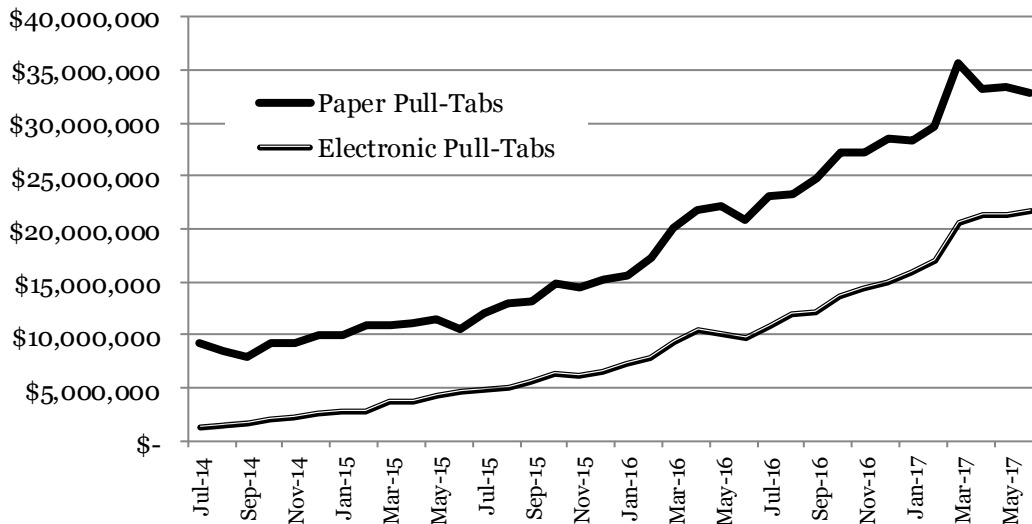


What's wrong with this picture?

Did you know that 90% of all fund loss requests are because of burglaries or thefts? If you have a fund loss and your internal controls were not sufficient, the missing money must be reimbursed to the gambling account from non-gambling funds.

For additional tips on handling and securing your organization's cash, see Chapter 10 (Internal Operations and Oversight) of the Lawful Gambling Manual, available at mn.gov/gcb, or contact your Compliance Specialist.

Comparison of Gross Sales at Sites with Both Paper & Electronic Pull-Tabs, FY14 - FY17





The Compliance Review Group, 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.

Compliance Review Group (CRG) Report

American Legion Post 303, Fridley, License 00001

The organization failed to:

- deposit all gambling receipts into its gambling account; and
- maintain internal controls sufficient to protect the integrity of its lawful gambling.

Consent Order Requirements:

- Two-month license suspension.
- \$10,000 civil penalty.
- File Corrective Action Plan.
- Reimburse gambling account \$21,567.00.
- No same or similar violations for the next two years.

Champlin Park Youth Hockey Association, License 04865

The organization failed to:

- maintain internal controls sufficient to protect the integrity of its lawful gambling;
- maintain records that account for its assets, liabilities, and fund balance;
- make deposits of gambling receipts within four business days of the close of the game;
- deposit gambling receipts into the gambling bank account;
- file true and accurate information with the Minnesota Gambling Control Board and Department of Revenue;
- submit changes in its application within ten days of the change to the Gambling Control Board; and
- conduct lawful gambling with the sufficient supervision of a licensed gambling manager.

Consent Order Requirements:

- Thirty-day license suspension.
- \$20,000 civil penalty.
- Reimburse gambling account \$2,112.00.
- File Corrective Action Plan.
- Focused Compliance Review.
- No same or similar violations for the next five years.

Waseca Hockey Association, License 02258

The organization failed to:

- maintain a perpetual inventory for bingo;
- accurately complete the LG100F; and
- reconcile its profit carryover with its cash balance on hand.

Consent Order Requirements:

- \$1,000 civil penalty.
- File Corrective Action Plan.
- Reconcile/reimburse gambling account.
- Resolve Compliance Review issues.

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.

Citation Report

Rum River Sno Riders Club Inc., Milaca, License 06925

- Failed to meet minimum lawful purpose expenditure percentage for two consecutive fiscal years. \$700 citation.

American Legion Post 167, Willmar, License 00586

- Failed to provide sufficient supervision and adequate internal controls. \$550 citation.

Preston Fire Relief Association, License 36712

- Conducted gambling without an off-site permit; repeat offense. \$500 citation.

American Legion Post 433, Gaylord, License 01239

- Failed to meet minimum lawful purpose expenditure percentage for two consecutive fiscal years. \$400 citation.

Owatonna Wrestling Association, License 04798

- Operated game in a manner that tended to deceive the public. \$300 citation.

Mystic Riders Snowmobile Club, Princeton, License 03988

- Commingled paper pull-tab games and operated in a manner that deceived the public and affected the chances of winning or losing. \$200 citation.

Chops, Inc., Hopkins, License 31322

- Repeatedly failed to timely file Lawful Gambling Reports LG100A, LG100C, and LG100F with the Board. \$200 citation.

Eagles Aerie 622, St. Cloud, License 00381

- Changes in application information not submitted to Board within ten days. \$150 citation.

Plainview Fire Relief Association, License 03223

- Non-gambling funds erroneously deposited into gambling account. \$150 citation.

VFW Post 1287, Winona, License 00156

- Records not retained for 3.5 years. \$100 citation.

Northwest Angle Edge Riders, Angle Inlet, License 34196

- Failed to file Lawful Gambling Reports LG100A, LG100C, and LG100F with the Board (August 2017). \$100 citation.

Swanville Dollars for Scholars, Burtrum, License 31494

- Bingo game records not retained for 3.5 years. \$100 citation.

Midwest Ski Otter Water Ski Club, White Bear Lake, License 05703

- Failed to meet minimum lawful purpose expenditure percentage for two consecutive fiscal years. \$100 citation.

American Legion Post 84, Northfield, License 00685

- Failed to file Lawful Gambling Reports LG100A, LG100C, and LG100F with the Board (July 2017). \$100 citation.

Green Isle Fire Relief Association, License 02584

- Failed to pay annual licensing fees in required timeframe. \$50 citation.

Hallock Fire Relief Association, License 93682

- Transferred gambling funds to general account without prior Board approval. \$50 citation.

Rush City Area Chamber of Commerce, License 93419

- Transferred gambling funds to general account without prior Board approval. \$50 citation.

The following organizations failed to file the required annual report with the Department of Revenue. Each received a \$100 citation.

- American Legion Post 48, Stillwater, License 00903
- Alexandria Area USBC, License 93086
- Dilworth Lions Club, License 01877
- Warrior Club, Inc., Winona, License 03711
- Warren Pony Sports Booster Club, License 02599
- VFW Post 6587, Spring Lake Park, License 00027
- Minneapolis Riverview Lions Club, License 01096
- Delano Area Youth Hockey Association, License 02425
- Eagles Aerie 2469, Grand Rapids, License 01038
- Park Rapids Amateur Hockey Association, License 01225
- Underwood Lions Club, License 04646
- Northern Pine Riders, Willow River, License 02327

REGULATIONS GUIDELINES COMPLIANCE

*The Director of the
Gambling Control
Board may issue
citations for failure to
comply with lawful
gambling statutes
or rules.*

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

MINNESOTA
GAMBLING CONTROL BOARD

The Minnesota Gambling Control Board regulates the lawful (charitable) gambling industry to ensure the integrity of operations and provide for the lawful use of net profits. Charitable gambling may be conducted only by registered, nonprofit organizations.

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

Roseville: 651-539-1900
Fergus Falls: 218-739-7402
Hibbing: 218-262-7301
Mankato: 507-345-7103

Website: www.mn.gov/gcb

State offices will be closed on May 28 and July 4, 2018.

An equal opportunity employer

Minnesota's Bookstore

651-297-3000; 1-800-657-3757
Website:
www.comm.media.state.mn.us

Department of Public Safety

Alcohol & Gambling Enforcement
651-201-7500, ext. 3
Website:
www.dps.mn.gov

Department of Revenue

Lawful Gambling Tax Unit
651-297-1772
Email:
lawfulgambling.taxes@state.mn.us
Website:
www.revenue.state.mn.us/businesses/lawful_gambling

Internal Revenue Service

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

**Minnesota Problem
Gambling Helpline**

1-800-333-HOPE

www.getgamblinghelp.com

Required 10% City Contribution is Based on Net

If your organization is required by local ordinance to contribute up to 10% in lawful gambling funds to a local unit of government, the amount is to be calculated on net profits.

For purposes of the 10% contribution, net profits are gross profits less amounts expended for that site's allowable expenses and its allocated portion of the organization's lawful gambling taxes.

- The 10% contribution requirement may only be applied to net profits derived from lawful gambling conducted at premises within the city or county's jurisdiction.
- A city or county may request a copy of the site's LG100A showing that site's net profit from an organization.
- Organizations must make 10% fund checks payable to the city or county requiring the funds, and not to any other payee.
- A licensed organization that contributes to the 10% fund may not be a beneficiary of that fund.
- A required contribution is different from a voluntary contribution to units of government (under lawful purpose Code A10) for government programs and projects, and cities or counties are not required to report voluntary contributions to the Board.

On the LG100C, report required 10% city contributions under code A10. (Code any local regulatory tax paid to a city as A8.)

If your city requires your organization to contribute to a 10% fund, go to **3%/10% City Reports** under the **Reports & Legislation** tab on our website. The reports show what the cities collected and how the 10% lawful gambling contribution funds are spent by cities.

Rules Process Continuing

A draft of the Gambling Control Board's proposed rule amendments is posted on the Board's website under the **Statutes & Rules** tab. The rules primarily deal with electronics—after five years of experience, we see a need to fine-tune some of the regulation. In addition to electronics, we are also adding standards and conduct for sports-themed tipboards. These are being prepared in anticipation of the Supreme Court handing down its decision in the New Jersey sports-betting case. By way of background, the Board already has sports-themed tipboard authorization (Minn. Stat. § 349.151, subd. 4e) but had decided to not move forward because of the New Jersey case. But we will be ready to go should the Court rule in favor of New Jersey.

See the instructions on the Rules webpage at www.mn.gov/gcb on how to submit comments on the proposed rule amendments.

Trends in Lawful Gambling Gross Receipts

Note: Figures for the current CY are subject to change due to amended, corrected, or late tax returns.

	CY 2017	% change	CY 2016	% change	CY 2015
Jan	\$140,537,077	11.9%	\$125,537,452	11.5%	\$112,620,188
Feb	\$143,234,810	10.6%	\$129,465,408	16.3%	\$111,330,121
Mar	\$166,872,647	17.6%	\$141,852,277	11.4%	\$127,305,824
Apr	\$158,294,517	12.9%	\$140,254,231	16.4%	\$120,470,829
May	\$153,175,528	14.0%	\$134,379,512	10.3%	\$121,832,038
Jun	\$147,620,741	17.4%	\$125,764,073	12.3%	\$111,947,518
Jul	\$152,478,494	14.6%	\$133,073,048	14.0%	\$116,719,554
Aug	\$157,512,617	17.6%	\$133,927,924	10.4%	\$121,256,846
Sep	\$157,217,820	17.1%	\$134,256,387	14.2%	\$117,593,872
Oct	\$163,566,987	15.5%	\$141,637,283	10.5%	\$128,203,783
Nov	\$157,585,683	15.7%	\$136,176,111	10.4%	\$123,389,504
Dec	\$164,937,129	16.7%	\$141,319,015	10.8%	\$127,571,156
YTD	\$1,863,034,050	15.2%	\$1,617,642,721	12.3%	\$1,440,241,232