

# Minnesota Gambling Control Board

# Gaming News

October/November/December  
2018

## Director's Column

Tom Barrett, Executive Director

Fiscal year 2018 numbers are in, and it was another record-breaking year—over \$2 billion in lawful gambling sales. As you know, Minnesota is the No. 1 state in the U.S. for charitable gambling activity, and approximately \$83 million was available for charities' missions in Minnesota. Highpoints:

- FY18 marks the 8th year in a row for increased sales with a 15.6% increase over FY17.
- There are approximately 2,804 sales locations in Minnesota (primarily bars and veteran posts).
- Paper and electronic pull-tabs make up 93% of total sales.
- All forms of charitable gambling show increased activity. From FY17 to FY18:
  - bingo increased 15.7%
  - paddlewheels increased 5.5%
  - pull-tabs increased 15.9%
  - raffles increased 9.6%
  - tipboards increased 6.0%
- On June 30, 2018, there were 1,020 sites (36% of total sites) with electronic pull-tabs. For FY18, gross sales from electronic pull-tabs were over \$360 million. Electronic pull-tab sales increased 80% from FY17.
- Paper pull-tab manufacturers have also increased their sales and marketing efforts, rolling out an average of 528 new games each month.
- A record \$1.6 billion was paid to players in prizes. On average, the prize payout for charitable gambling in Minnesota is 84%.
- After prizes, organizations took \$314 million to the bank. After expenses and taxes, approximately \$83 million (an increase of 10.7% from last fiscal year) was available for charities' missions in Minnesota.

Congratulations on another productive year and a good start to the next!

Sports tipboards were allowed starting in July 2018. This tax-exempt form of lawful gambling is already showing great promise as a fund-raising tool for licensed organizations.

Happy holidays, and best wishes for continued success in 2019!

## Annual Reports Available

Organizations' FY18 annual reports and star rating reports are out. View all reports, including the Board's FY18 Annual Report, at [www.mn.gov/gcb](http://www.mn.gov/gcb) under the "Reports & Legislation" tab.

New this year, the organization annual reports show each organization's retained cash as of June 30, 2018. Retained cash is the reconciled checking account balance, plus the net starting cash bank amount, plus the savings account balance, minus any outstanding loan balance (start-up cash and emergency). In other words, the money in the bank. A summary of retained cash is also shown in the Board's Annual Report, on page 4.

Board Members:

**William Goede, Chair**  
(Plainview)  
Committee: Executive

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

**Kenneth Koch, Secretary**  
(Eagan)  
Committees: Legislative; Rules

**Norm Pint (New Prague)**  
Committee: CRG (chair)

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

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

**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, December 17, 2018

Tentative meetings:  
Tuesday, January 22, 2019  
Tuesday, February 19, 2019  
Monday, March 18, 2019

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

The *Gaming News* is published quarterly. Current and previous issues are available on our website, [www.mn.gov/gcb](http://www.mn.gov/gcb).



*Please note, there will be no traditional continuing education classes in January, February, or March. Classes will be offered throughout the state in late spring and again in late fall.*

*Future topics, dates, locations, and times for traditional continuing education classes will be posted on the Board's website, [www.mn.gov/gcb](http://www.mn.gov/gcb), under the "Education" tab.*

*The online courses are available year-round.*

*Gambling managers are required to take at least one continuing education class, either online or in person, each calendar year.*

*Plan ahead! Don't wait until the end of the year to take one of these required classes.*

## Continuing Education

### New Online Continuing Education Course!

The new online continuing education course, **What Every Pull-Tab Seller Needs to Know**, is now available! Designed for pull-tab sellers and supervisors of sellers, this course includes information on:

- √ Posting
- √ Prize receipts
- √ Buyouts
- √ Establishing and enforcing house rules
- √ Redeeming and defacing tickets
- √ Closing games/redeeming
- √ Using scales
- √ Spot audits
- √ Inside information
- √ Restrictions on who may play
- √ And more!

The course is available at [www.mn.gov/gcb](http://www.mn.gov/gcb), "Education" tab. A PDF version of the course is also available for printing as a go-to guide. We look forward to your continued feedback as we develop additional online courses.

### Class Topic: Lawful Gambling Expenditures

Tuesday, December 4, 2:00 pm  
Hibbing Memorial Building  
Dining Room  
400 East 23rd Street  
**Hibbing, MN 55746**

Thursday, December 6, 2:00 pm  
AmericInn Lodge & Suites  
Fergus Falls Room  
526 Western Avenue  
**Fergus Falls, MN 56537**

Wednesday, December 5, 2:00 pm  
South Central College  
Room A  
1920 Lee Blvd.  
**North Mankato, MN 56003**  
(Park in blue lot; use door 15)

Thursday, December 27, 2:00 pm  
Gambling Control Board  
Suite 300 South  
1711 West County Road B  
**Roseville, MN 55113**

Wednesday, December 5, 2:00 pm  
Gambling Control Board  
Suite 300 South  
1711 West County Road B  
**Roseville, MN 55113**



Preregistration is not required to attend, and the classes are free and open to the public.

### Reminder of Importance of Securing Your Assets

The Board denied a number fund loss requests at its November meeting. Most were due to the organization failing to maintain adequate safeguards over its gambling funds. When a fund loss request is denied, the missing money must be repaid to the gambling account with non-gambling funds.

Keeping your organization's cash secure is essential to its success. We cannot stress enough the importance of strong internal controls. For specific information on keeping your organization's cash safe, see page 5 of the January/February/March 2018 *Gaming News* ([www.mn.gov/gcb](http://www.mn.gov/gcb), "Publications" tab). Additional tips on handling and securing your organization's cash can be found in Chapter 10 (Internal Operations and Oversight) of the Lawful Gambling Manual, which is also available on our website under the "Publications" tab.

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## This and That

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### Reminder—Lessor and Lessor’s Employees May Not Play at Site

The Gambling Control Board continues to receive complaints about lessors participating in lawful gambling. The lessor of a site may not participate as a player in gambling at their site. This includes the lessor’s employees involved in the conduct of lawful gambling at that site. The lessor’s spouse, children, parents, and siblings are also restricted as to what forms of lawful gambling they may participate in. (See “Who May/May Not Play” at [www.mn.gov/gcb](http://www.mn.gov/gcb).)

“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.

*Even if the lessor does not do any of the above, he or she may not play at their site.*

To avoid possible sanction, be sure only eligible persons play. If you have any questions on who is eligible to play, please contact your Compliance Specialist.

### Be Aware

The Board was recently informed that an individual entered a site wearing a uniform that appeared to be law enforcement. The uniformed individual stated he was there to do an inspection. He did not show credentials/ID, nor did the seller ask. This is how individuals may fraudulently gain access to games or game information, and/or other organization assets.

Be diligent! Gambling Control Board and law enforcement personnel will always show their ID/credentials when entering a premises on official business. **Do not hesitate to ask for ID if credentials are not voluntarily produced, uniform or not.** If credentials cannot be produced, do not allow access to your organization’s assets. Notify local law enforcement and the Minnesota Gambling Control Board (651-539-1900) if you suspect anyone is not who they say they are.

### Follow Up: Paying a Winning Pull-Tab Ticket After Game Sales Have Ended

Pull-tab games are considered closed after the last ticket in the game has been sold or when the organization decides that no more tickets from the game will be sold. For sold-out games, and occasionally for games that are closed with unsold tickets remaining, players will still have winning tickets to redeem after the game has been closed, and your organization must be mindful of this obligation, even if your House Rules state that winning tickets must be redeemed “immediately”.

Remember, requiring winning tickets to be redeemed “immediately” or “within ‘xx’ minutes” is unenforceable, and your organization may be required to pay a winning ticket. See the April/May/June 2018 issue of *Gaming News* for additional information.



### Be Sure to Use Current Forms!

*The Gambling Control Board’s forms are periodically updated.*

*To avoid an old form being returned to you for resubmission, make sure you are using the most current form by going to [www.mn.gov/gcb](http://www.mn.gov/gcb), “Forms” tab.*

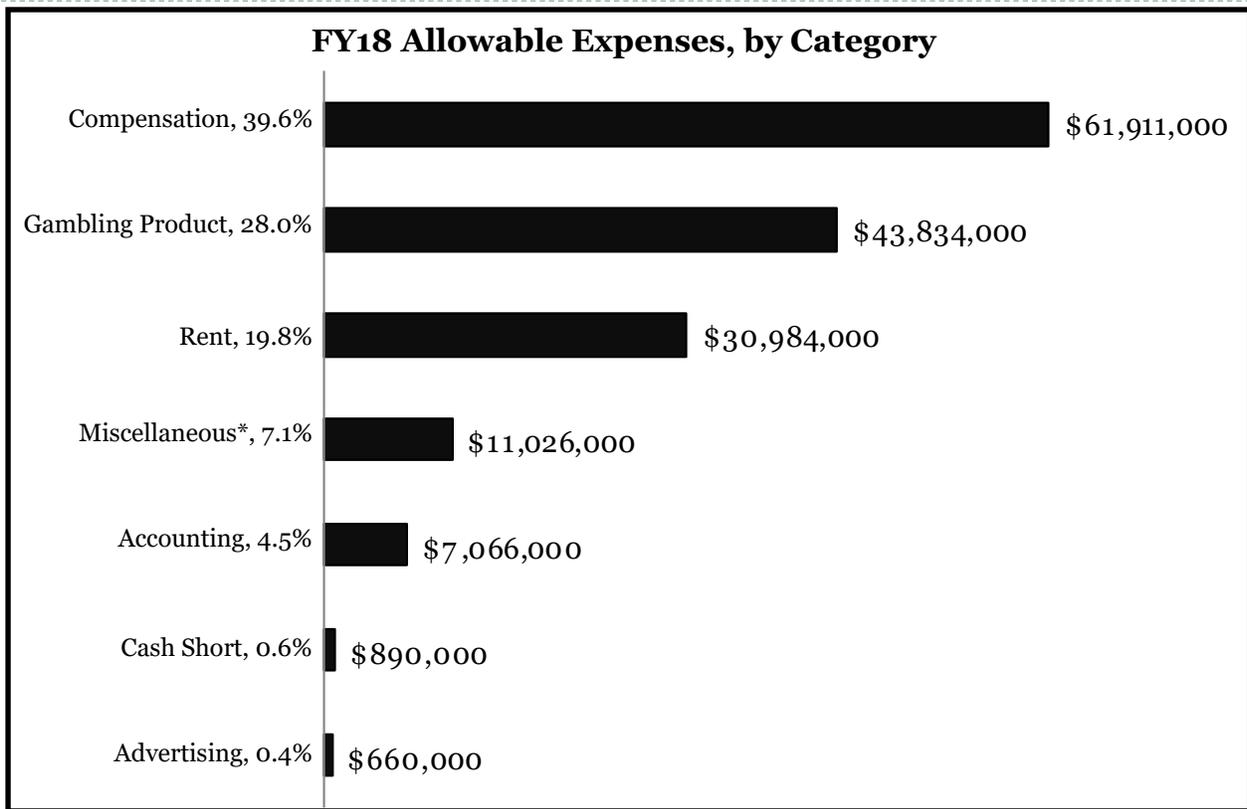
*And toss out those old copies tucked away in a file folder!*

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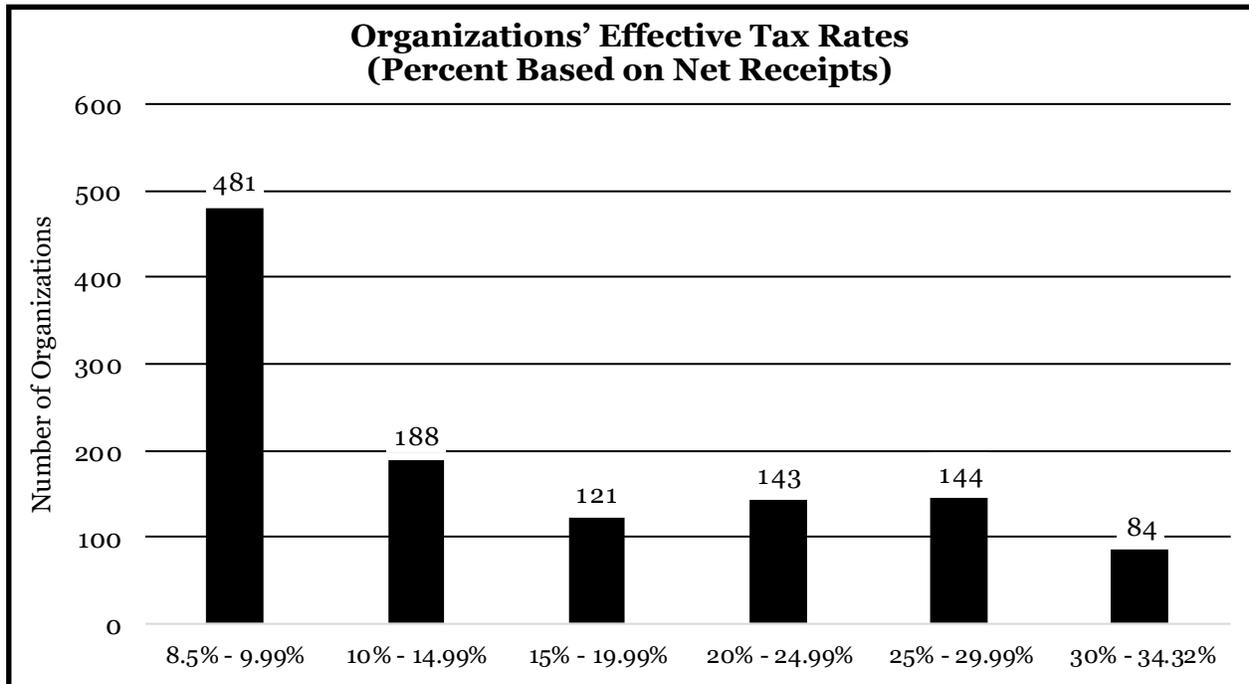
### Theft Averted!

*There are some eagle-eyed sellers in Ogilvie, Milaca, and Cambridge! A couple of shady individuals were trying to pass off stolen winning pull-tab tickets—tickets with a popular game name. By comparing the serial numbers, these sellers were able to avoid theft from their organizations. Remember, it’s not enough to only compare the game name, symbols, or colors. Congratulations to these sellers for their diligence when redeeming tickets—you saved your organization from a potential fund loss!*

## FY18 Statistics

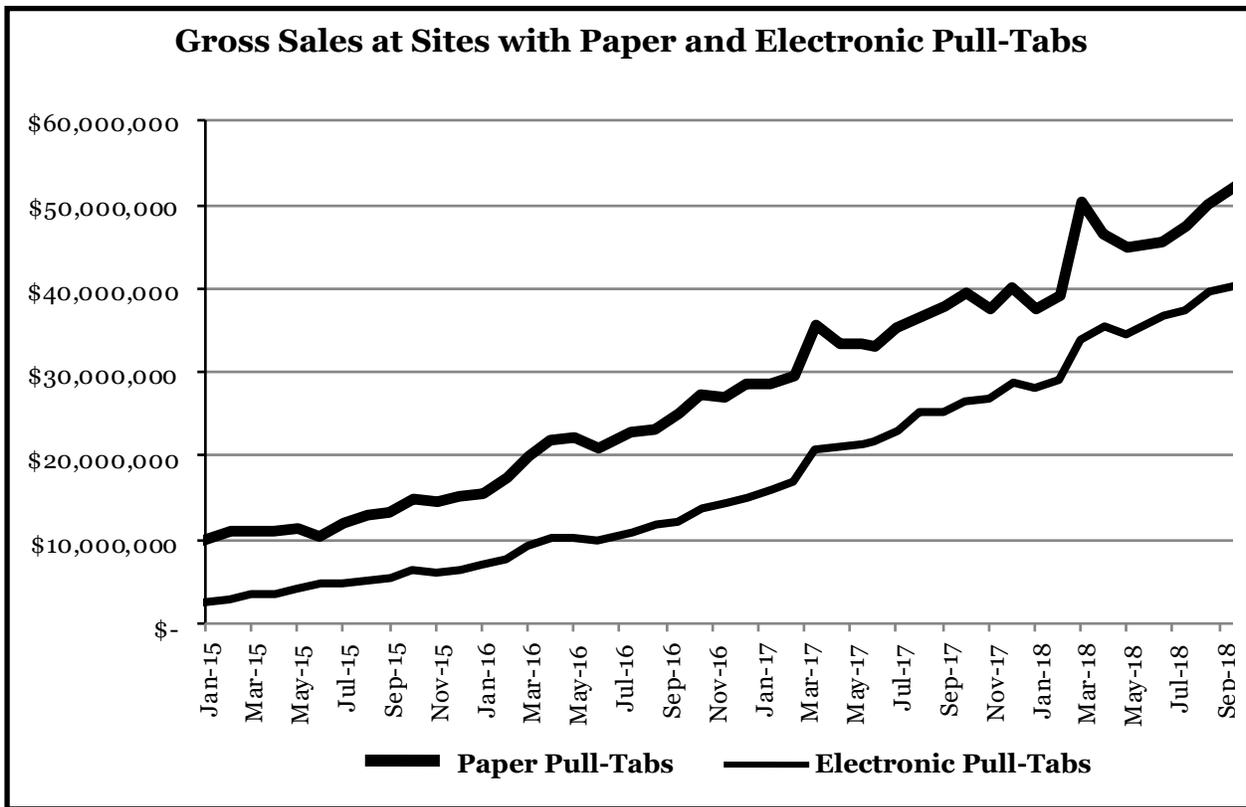
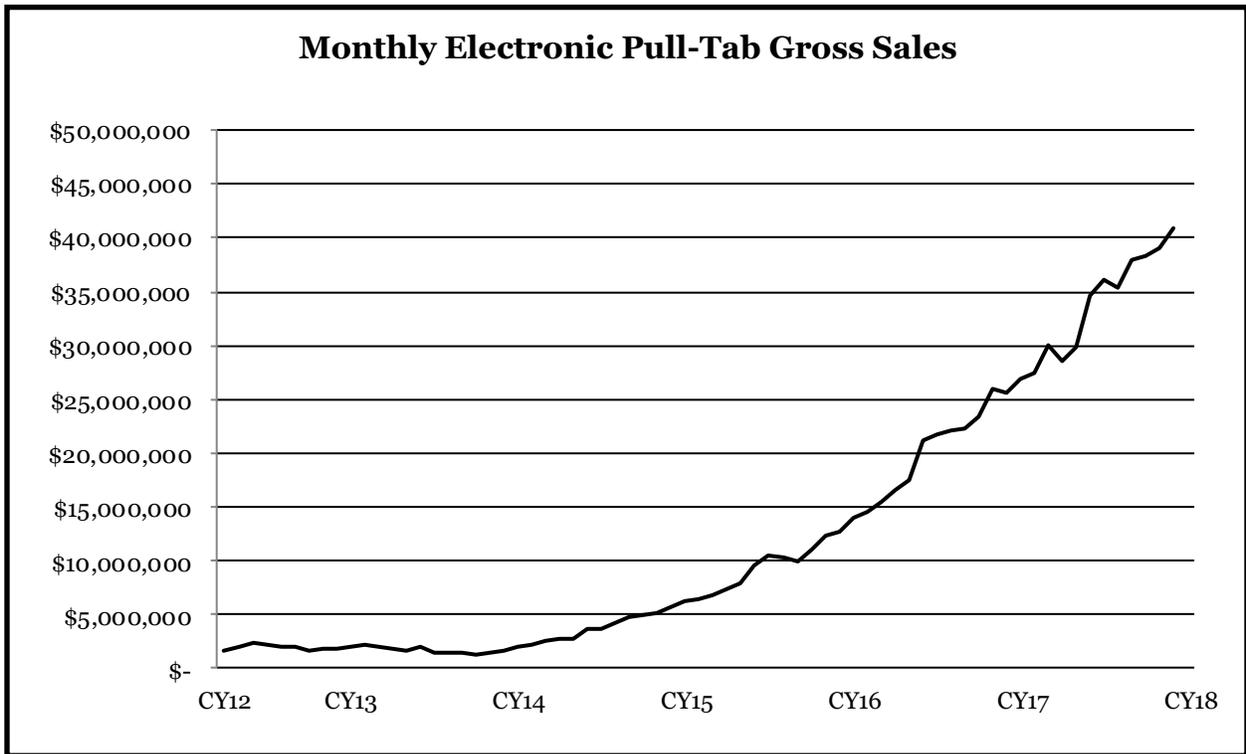


\* Examples of miscellaneous expenses include office equipment and supplies, travel expenses, and gambling manager's bond.



- 8.4% (98 out of 1,161) of licensed organizations paid half of all state taxes on gambling receipts.
- 91.6% (1,063 out of 1,161) paid the other half of all state taxes on gambling receipts.
- For the combined net receipts tax, 37% of organizations did not pay more than 9% tax because their annual combined net receipts did not exceed \$87,500.

## Electronic Pull-Tab Sales Over Time





*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.*

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## Compliance Review Group (CRG) Report

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### **Upper Red Lake Association, Waskish, License 02724**

The organization failed to:

- maintain accurate physical and perpetual inventory systems, and to reconcile records on a monthly basis;
- complete a monthly bank reconciliation listing outstanding checks, deposits in transit, and beginning and ending book balances for the month that corresponds to the profit carryover;
- accurately and completely report all games;
- accurately complete LG100F's;
- maintain records that account for its assets, liabilities, and fund balance; and
- comply with requests for information and documentation from the Board.

#### Consent Order Requirements:

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

### **Cloquet Amateur Hockey Association, Cloquet, License 01224**

The organization failed to:

- pay or appeal a \$250 citation within 30 days;
- have gambling manager attend a continuing education class during calendar year 2017; and
- file lawful gambling reports LG100A, LG100C, and LG100F.

#### Consent Order Requirements:

- Additional \$150 civil penalty.
- File all LG100A's, LG100C's, and LG100F's to current.

### **Milaca Fire Relief Association, Milaca, License 02413**

The organization failed to:

- conduct compliant raffles;
- maintain adequate records on its raffles;
- file accurate information with the Gambling Control Board and the Department of Revenue; and
- deposit all gambling receipts into its gambling bank account.

#### Consent Order Requirements:

- Premises permit for Howling Dog suspended for 30 days.
- Reconcile/reimburse gambling account \$21,900.
- File amended LG100A's, LG100C's, and LG100F's.

### **Tom DeVries, Gambling Manager, Milaca Fire Relief Association, License GM-02413**

The gambling manager failed to:

- supervise the conduct of lawful gambling;
- verify all receipts and disbursements by the organization; and
- supervise the filing of reports by the organization and failed to monitor the accuracy of the reports.

#### Consent Order Requirements:

- Gambling manager must attend the two-day Gambling Manager Seminar and pass the exam.
- No same/similar violations for two years.

### **Pemberton Fire Relief Association, Pemberton, License 03862**

- The organization conducted lawful gambling without the supervision of a licensed gambling manager.

#### Consent Order Requirements:

- \$1,000 civil penalty.
- File a Corrective Action Plan.

## Citation Report

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

- Administrative and internal control procedures repeatedly insufficient (\$1,000 citation).

### **Rush City Area Chamber of Commerce, License 93419**

- Failed to deposit receipts and inaccurately reported receipts and expenses on the LG100A (\$600 citation).

### **American Legion Post 86, Aitkin, License 00581**

- Conducted raffles in a manner that did not comply with statutes and rules (\$550 citation).

### **South Robert Street Business Association, West St. Paul, License 00726**

- Failed to comply with Board requests for information (\$500 citation).

### **C-I Quarterback Club, Ironton, License 02536**

- Failed to comply with Board requests for information (\$500 citation).

### **American Legion Post 88, Greenbush, License 00800**

- Allowed lawful gambling play without payment at the time of the transaction (\$350 citation).

### **Spartan End Zone Club, Inver Grove Heights, License 93697**

- Allowed an employee to participate in electronic linked bingo (\$300 citation).

### **American Legion Post 2, Shakopee, License 00466**

- Allowed an employee to participate in electronic linked bingo (\$300 citation).

### **Champlin Park Youth Hockey Association, License 04865**

- Gambling manager acted as assistant gambling manager for another licensed organization (\$300 citation).

### **Cloquet Amateur Hockey Association, License 01224**

- Gambling manager failed to attend continuing education class during calendar year 2017 (\$250 citation).

### **New Ulm Youth Wrestling Association, License 07195**

- Changes in application information not submitted to the Board within ten days, repeatedly (\$200 citation).

### **Essig Baseball Club, New Ulm, License 01614**

- Game results not properly reported on LG861 and prize receipts not completed correctly (\$200 citation).

### **Detroit Lakes Shrine Color Guard Unit, License 02477**

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

### **Goodview Winona Area Hockey, Winona, License 02090**

- Raffle prizes awarded to persons under age 18 (\$100 citation).

### **Clear Lake Lions Club, License 01790**

- Prize receipts not properly completed (\$100 citation).

### **American Legion Post 43, Faribault, License 00275**

- Did not retain records for 3-1/2 years (\$100 citation).

### **Prior Lake Water Ski Association, License 35694**

- Non-gambling funds erroneously deposited into gambling account (\$50 citation).

### **C-I Quarterback Club, Ironton, License 02536**

- Paid citation with lawful gambling funds (\$50 citation).

The following organizations failed to timely file lawful gambling reports LG100A, LG100C, and LG100F:

- **Mower Council for the Handicapped, Austin, License 04348** (\$300 citation).
- **Rushford-Peterson Booster Club, Rushford, License 04693** (\$200 citation).
- **Mazepa Lions Club, License 01978** (\$150 citation).
- **American Legion Post 228, Waseca, License 00135** (\$150 citation).
- **Pine Center Sportsmens Club, Brainerd, License 02394** (\$150 citation).
- **VFW Post 1215, Rochester, License 00405** (\$150 citation).

## 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](http://www.mn.gov/gcb)

State offices will be closed on December 25, 2018; and January 1, 2019.

*An equal opportunity employer*

**Minnesota's Bookstore**

651-297-3000; 1-800-657-3757  
Website:  
[www.comm.media.state.mn.us](http://www.comm.media.state.mn.us)

**Department of Public Safety**

Alcohol & Gambling Enforcement  
651-201-7500, ext. 3  
Website:  
[www.dps.mn.gov](http://www.dps.mn.gov)

**Department of Revenue**

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

**Internal Revenue Service**

Questions: [www.irs.gov](http://www.irs.gov) or  
1-800-829-1040  
Forms: [www.irs.gov/forms-pubs](http://www.irs.gov/forms-pubs) or  
1-800-829-3676

**Minnesota Problem  
Gambling Helpline**

**1-800-333-HOPE**

[www.getgamblinghelp.com](http://www.getgamblinghelp.com)

**Citation Report (continued)**

The following organizations failed to file lawful gambling reports LG100A, LG100C, and LG100F:

- **Gilbert Fire Relief Association, License 05549** (for January 2018) (\$100 citation).
- **Rushford-Peterson Booster Club, Rushford, License 04693** (for January 2018) (\$100 citation).
- **Leech Lake Area Amateur Hockey Association, License 30852** (for January 2018) (\$100 citation).
- **New York Mills Lions Club, License 02420** (for February 2018) (\$100 citation).

**Attention Organizations Required to Make  
10% Lawful Gambling Contribution to a City**

Minnesota Statutes, Section 349.213, subdivision 1, paragraph (f)(2), allows a city to pass an ordinance requiring a licensed lawful gambling organization in its jurisdiction to pay 10% of net profits annually to the city.

Please note that you may ask for a copy of the city's ordinance, and the city should be able to produce it. If there is no ordinance, your organization is not required to contribute to this 10% fund.

Of interest, most organizations voluntarily contribute to local units of government; in FY18 \$11.5 million was voluntarily contributed to programs by the United States, the state of Minnesota, or local units of government (excluding taxes). However, if a city passes an ordinance requiring the annual 10% contribution, an organization must pay. But before doing so, you may want to be sure an ordinance is in place.

**Rules Update**

The Notice of Intent to Adopt Rules Without a Hearing was published in the October 22, 2018, *State Register*. The comment period for the Notice of Intent to Adopt without a Hearing ended on November 21, 2018. A sufficient number of hearing requests were received, objecting to parts 7861.0210, subparts 15c and 15h; 7861.0270, subpart 3a; 7863.0270, subpart 18a; 7864.0230, subpart 6; and 7864.0235, subparts 4 and 18, to proceed with a hearing. A Notice of Hearing will be published in an upcoming edition of the *State Register*.

A copy of the proposed rules, relating to lawful gambling electronic gaming, sports tipboard games, and other lawful gambling provisions, is available on our website at [www.mn.gov/gcb](http://www.mn.gov/gcb), "Statutes & Rules" tab. If you have questions, contact Peggy at 651-539-1951.

**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 2018	% change	CY 2017	% change	CY 2016
Jan	\$157,459,065	12.0%	\$140,537,077	11.9%	\$125,537,452
Feb	\$159,796,596	11.6%	\$143,234,810	10.6%	\$129,465,408
Mar	\$199,422,545	19.5%	\$166,872,647	17.6%	\$141,852,277
Apr	\$182,831,946	15.5%	\$158,294,517	12.9%	\$140,254,231
May	\$171,345,048	11.8%	\$153,175,528	14.0%	\$134,379,512
Jun	\$175,956,259	19.2%	\$147,620,741	17.4%	\$125,764,073
Jul	\$176,763,301	15.9%	\$152,478,494	14.6%	\$133,073,048
Aug	\$183,355,135	16.4%	\$157,512,617	17.6%	\$133,927,924
Sep	\$180,838,971	15.0%	\$157,217,820	17.1%	\$134,256,387
Oct	\$183,823,670	12.3%	\$163,566,987	15.5%	\$141,637,283
Nov			\$157,585,683	15.7%	\$136,176,111
Dec			\$164,937,129	16.7%	\$141,319,015
YTD	\$1,771,592,536	14.9%	\$1,863,034,050	15.2%	\$1,617,642,721