



Minnesota Gambling Control Board

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Suite 300 South  
1711 W. County Road B  
Roseville, MN 55113  
651-639-4000

# **Annual Report of the Minnesota Gambling Control Board**

**Fiscal Year  
2007**

**July 1, 2006 - June 30, 2007**



## Message from the Board Chair and Executive Director

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January 16, 2008

The mission of the Gambling Control Board (Board) is to regulate lawful gambling in Minnesota, so that citizens are assured of the integrity of the industry and nonprofit organizations may continue to raise funds for charitable contributions.

The Board continues to provide education, outreach, and guidance to the lawful gambling industry through its ongoing programs, including:

- compliance reviews and site inspections,
- issuing licenses and permits,
- continuing education classes throughout the state,
- speaking engagements at state-level conventions,
- gambling manager seminars,
- an individualized mentoring program,
- a comprehensive web site, and
- a bi-monthly newsletter.

This annual report provides information for the fiscal year beginning July 1, 2006, through June 30, 2007. Portions of the data were obtained from the Minnesota Department of Revenue.

Respectfully submitted,

Peggy Moon, Chair

Tom Barrett, Executive Director

## Gambling Control Board Members and Staff

The Board has the power to issue, suspend, and revoke licenses. Under Minnesota Statutes, section 349.11, the Board's purpose is "to regulate lawful gambling to prevent its commercialization, to insure the integrity of operations, and to provide for the use of net profits only for lawful purposes."

The Gambling Control Board is comprised of seven citizens. Five of the members are appointed by the Governor, and the Attorney General and Commissioner of Public Safety each appoint one member.

<b>Members</b>	<b>City</b>	<b>Appointed by</b>	<b>Term</b>
Peggy Moon, Chair	St. Joseph	Governor	7/05 to 6/09
Howard Register, Vice Chair	Eagan	Public Safety	7/03 to 6/07
Pat Davies, Secretary Resigned December 2006. Replaced by Rick Solum for May and June 2007	Mendota Heights	Attorney General	7/03 to 6/07
Gerald Dexter	White Bear Lake	Governor	7/06 to 6/10
Shirleen Hoffman	Delano	Governor	7/06 to 6/10
William Goede	Plainview	Governor	8/04 to 6/08
Tamara Garcia	Eden Prairie	Governor	8/04 to 6/08

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**Executive Director**

Tom Barrett

**Board Counsel**

Melissa Eberhart, Assistant Attorney General

FY 2007 expenditures: \$2,750,800  
Board staff: 34 (FTE 32)

# Statement of Cash Receipts and Industry Overview

<b>Cash Receipts</b>		
	<b>Fee</b>	<b>Total Collected</b>
Manufacturer license .....	\$9,000	\$ 90,000
Game approval and testing (manufacturer) .....	\$25/\$100	153,950
Distributor license .....	6,000	78,000
Distributor salesperson license .....	100	12,200
Linked bingo game provider license .....	5,000	10,000
Organization license .....	350	476,950
20 waivers of the organization license fee were granted to organizations that expected to receive less than \$100,000 in gross annual receipts (\$7,000 waived)		
Gambling manager license .....	100	151,000
Premises permit .....	150	488,700
Regulatory fee (monthly fee 0.1% of gross receipts from gambling conducted by licensed organizations at each site) .....		1,272,324
Excluded Permit (limited bingo) .....	none	0
Exempt Permit (up to 5 days of activity, total prizes valued at \$50,000 or less) .....	50	146,400
<b>Total dedicated fees collected</b>		<b>\$2,879,524</b>
<hr/>		
Civil penalties and fines .....	vary	63,890
State gambling taxes, after refunds (collected by Department of Revenue) .....		48,984,000
<b>Total taxes, fees, and penalties collected</b> .....		<b>\$51,927,414</b>
With the exception of civil penalties, fines, and taxes, receipts are deposited into an account dedicated for lawful gambling regulation.		

## Industry Overview

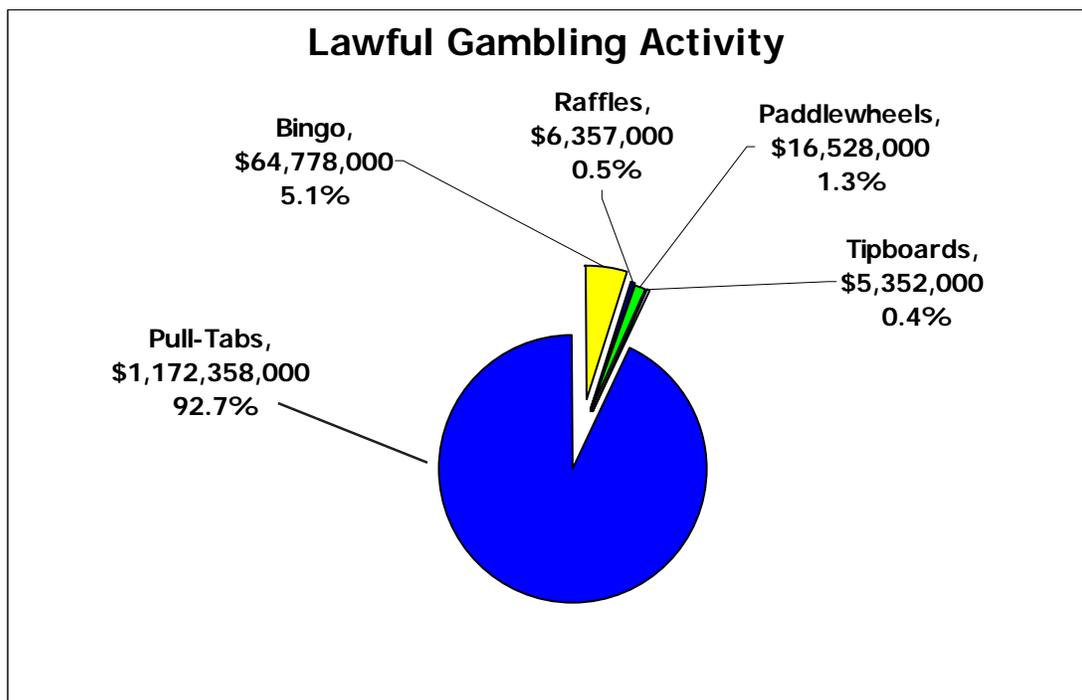
During fiscal year 2007, the Minnesota lawful gambling industry consisted of:

<b>Licensees and Activities</b>	<b>Description</b>																		
12 manufacturers	Sold product to licensed distributors. In FY07, 4,187 new games and product were approved for sale in Minnesota.																		
15 distributors	Sold product to licensed lawful gambling organizations.																		
107 distributor salespersons	Persons licensed to sell gambling equipment.																		
2 linked bingo game provider	Coordinated linked bingo games between licensed organizations.																		
1,409 nonprofit organizations	Nonprofit organizations licensed to conduct gambling at permitted premises.																		
	<table border="1"> <thead> <tr> <th><b>Type of Organization</b></th> <th><b>Number</b></th> <th><b>Percent</b></th> </tr> </thead> <tbody> <tr> <td>FRATERNAL - Eagles &amp; Auxiliary, Moose, Elks, Knights of Columbus</td> <td style="text-align: right;">180</td> <td style="text-align: right;">13%</td> </tr> <tr> <td>VETERANS - American Legion, VFW, &amp; Auxiliaries</td> <td style="text-align: right;">387</td> <td style="text-align: right;">27%</td> </tr> <tr> <td>RELIGIOUS - Church/Cathedral</td> <td style="text-align: right;">32</td> <td style="text-align: right;">2%</td> </tr> <tr> <td>OTHER NONPROFIT - Fire relief, hockey, Jaycees, Lions, baseball, athletic, rod and gun, snowmobile, business/chamber/development, sportsman, community, other</td> <td style="text-align: right;">810</td> <td style="text-align: right;">58%</td> </tr> <tr> <td><b>TOTAL:</b></td> <td style="text-align: right;"><b>1,409</b></td> <td style="text-align: right;"><b>100%</b></td> </tr> </tbody> </table>	<b>Type of Organization</b>	<b>Number</b>	<b>Percent</b>	FRATERNAL - Eagles & Auxiliary, Moose, Elks, Knights of Columbus	180	13%	VETERANS - American Legion, VFW, & Auxiliaries	387	27%	RELIGIOUS - Church/Cathedral	32	2%	OTHER NONPROFIT - Fire relief, hockey, Jaycees, Lions, baseball, athletic, rod and gun, snowmobile, business/chamber/development, sportsman, community, other	810	58%	<b>TOTAL:</b>	<b>1,409</b>	<b>100%</b>
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<b>TOTAL:</b>	<b>1,409</b>	<b>100%</b>																	
1,620 gambling managers	As members of licensed nonprofit organizations, gambling managers are responsible for supervising organizations' lawful gambling operations.																		
3,000 charitable gambling sites	Licensed nonprofit organizations were issued 3,495 premises permits.																		
2,124 exempt organizations	Nonprofit organizations that applied for authorization to conduct limited gambling of up to five days per calendar year conducted 2,941 activities, with gross receipts of \$28,423,000.																		
285 excluded organizations	Nonprofit organizations that applied for authorization to conduct excluded bingo conducted 477 excluded bingo activities.																		

# Lawful Gambling Statistics

## Fiscal Year Summary

ACTIVITY	Gross Receipts (sales)		Prizes Paid	Net Receipts (gross less prizes)		% Payout	
	FY 2007	% Change from FY06	FY 2007	FY 2007	% Change from FY06	FY07	FY06
Pull-tabs	1,172,358,000	-3.3	965,207,000	207,151,000	-3.6	82.3	82.3
Bingo	64,778,000	0.7	49,131,000	15,647,000	6.4	75.8	77.1
Paddlewheels	16,528,000	-1.3	12,519,000	4,009,000	5.2	75.7	77.2
Raffles	6,357,000	0.5	3,280,000	3,077,000	0.2	51.6	51.5
Tipboards	5,352,000	-37.1	3,726,000	1,626,000	-29.4	69.6	72.9
Interest income	334,000	33.3	- 0 -	334,000	33.3		
<b>TOTALS</b>	<b>\$1,265,707,000</b>	<b>-3.3</b>	<b>\$1,033,863,000</b>	<b>\$ 231,844,000</b>	<b>-3.0</b>	<b>81.7</b>	<b>81.7</b>



## Ten-Year Comparison of Receipts and Prizes Paid with percent change from previous fiscal year

FY	Gross Receipts		Prizes Paid		Net Receipts	
07	\$1,265,707,000	-3.3%	\$1,033,863,000	-3.3%	\$231,844,000	-3.0%
06	1,308,264,000	-4.8%	1,069,325,000	-4.8%	238,939,000	-4.8%
05	1,373,783,000	-3.1%	1,122,783,000	-3.3%	251,000,000	-2.5%
04	1,418,109,000	0.0%	1,160,753,000	-0.3%	257,356,000	1.5%
03	1,418,200,000	-1.2%	1,164,591,000	-1.0%	253,609,000	-2.1%
02	1,435,426,000	-0.1%	1,176,268,000	0.2%	259,158,000	-1.1%
01	1,436,603,000	-4.2%	1,174,490,000	-4.2%	262,113,000	-4.4%
00	1,500,042,000	3.5%	1,225,813,000	3.8%	274,229,000	2.2%
99	1,449,055,000	3.0%	1,180,608,000	3.1%	268,447,000	2.6%
98	1,407,137,000	4.0%	1,145,509,000	4.3%	261,628,000	2.8%

# Lawful Purpose Expenditures

Organizations may contribute for lawful purpose expenditures (contributions) in the following categories.



Youth activities



Grooming and maintaining snowmobile and all-terrain vehicle trails approved by the Department of Natural Resources



Recognition of military service or humanitarian service



Scholarship funds, and private or public nonprofit educational institutions



Board-approved repair and maintenance projects of organizations' buildings



Congregate dining, nutritional programs, or food shelves for the disabled or persons age 62 and older

Programs and projects by the United States, the state of Minnesota, or local units of government



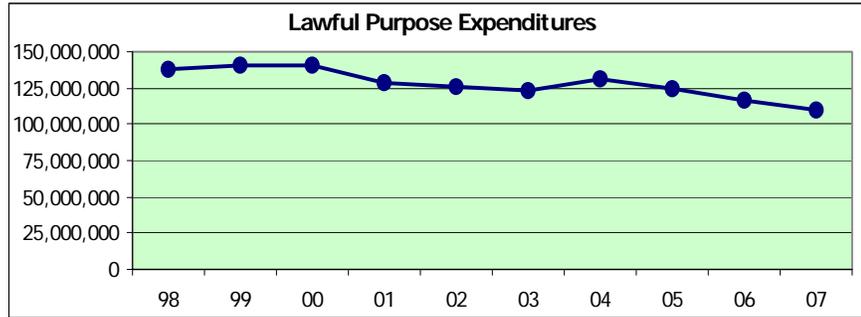
## Other Lawful Purpose Expenditure Categories

- Community arts organizations or program sponsorships
- Religious purposes
- Donations to or expenditures by nonprofit organizations designated by the Internal Revenue Service as 501(c)(3) organizations or as 501(c)(4) festival organizations
- Relieving effects of poverty, homelessness, or disabilities
- Treatment for compulsive gambling
- State agency-approved wildlife management projects
- Real estate taxes
- State, local, and federal gambling taxes; state lawful gambling license & regulatory fees
- Specific utility costs and membership events by licensed veterans organizations

# Lawful Purpose Expenditures

## Ten-Year Comparison

07	\$110,144,000
06	\$116,011,000
05	\$124,974,000
04	\$130,944,000
03	\$123,138,000
02	\$126,514,000
01	\$129,153,000
00	\$140,841,000
99	\$141,071,000
98	\$138,176,000



## Lawful Purpose Expenditures

	<u>FY 2007</u>	<u>FY 2006</u>	<u>% Change</u>
<b>Charitable &amp; Other LPE Contributions</b>	<b>\$ 61,160,000</b>	<b>\$ 64,873,000</b>	<b>-5.7</b>
<b>State Gambling Taxes Paid</b>	<b>48,984,000</b>	<b>51,138,000</b>	<b>-4.2</b>
Gross Receipts State Tax	19,854,000	20,838,000	-4.7
Net Receipts State Tax	1,954,000	1,854,000	-5.4
Combined Receipts State Tax	27,176,000	28,446,000	-4.5
<b>TOTALS</b>	<b>\$ 110,144,000</b>	<b>\$ 116,011,000</b>	<b>-5.1</b>

## State Gambling Taxes

	<u>Taxes Paid</u>	<u>Refund</u>	<u>Taxes After Refund</u>
07	\$56,461,000	\$7,477,000	\$48,984,000
06	58,519,000	7,381,000	51,138,000
05	61,621,000	7,333,000	54,288,000
04	63,539,000	6,900,000	56,639,000
03	62,698,000	6,566,000	56,132,000
02	62,655,000	6,232,000	56,423,000
01	62,147,000	6,246,000	55,901,000
00	68,765,000	6,209,000	62,556,000
99	68,709,000	6,088,000	62,621,000
98	68,828,000	5,780,000	63,048,000

The three state gambling taxes included as lawful purpose expenditures are:

Gross Receipts Tax: 1.7 percent of the gross receipts on pull-tab and tipboard games.

Net Receipts Tax: 8.5 percent on the net receipts on bingo, raffles, and paddlewheels.

Combined Receipts Tax: A progressive tax calculated on the gross receipts from pull-tab games, tipboards, and interest.

# Allowable Expenses

An allowable expense is an expense or a proportion of an expense directly related to the conduct of lawful gambling. Organizations are allowed to spend up to 60% of net receipts (effective 7/1/06) toward gambling operating costs. The previous rate was 55%. A higher limit is authorized for the net receipts from bingo.

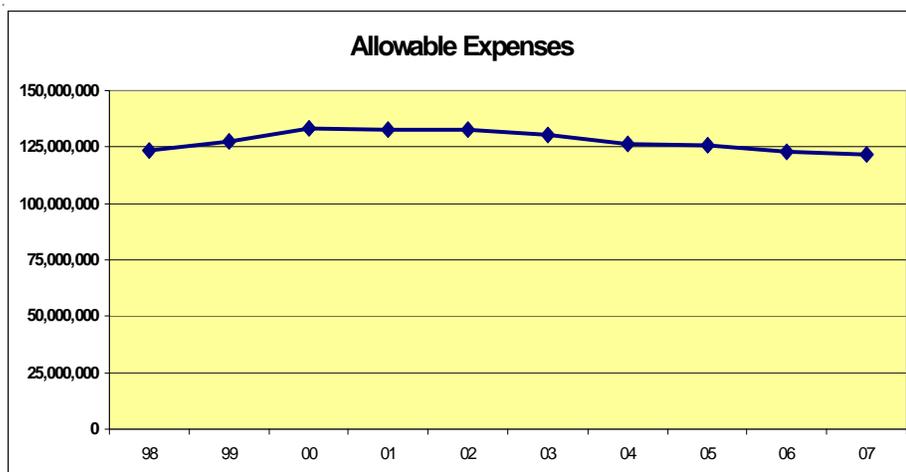
## Allowable expenses as reported to the Department of Revenue included:

Operating Cost	FY07	FY06	% Change
Compensation and payroll taxes	\$59,308,000	\$60,705,000	- 2.3
Gambling equipment (pull-tabs, bingo paper, tipboards, paddletickets)	22,441,000	23,323,000	- 3.8
Rent	23,041,000	24,033,000	-4.1
Accounting and legal work	6,549,000	4,668,000	40.3 <sup>1</sup>
Office supplies and miscellaneous expenses	5,479,000	5,467,000	0.2
Gambling device purchase (paddlewheel & table, bingo number selection device, pull-tab dispensing device), storage, and maintenance	2,439,000	2,434,000	0.2
Penalty and interest paid	40,000	66,000	-39.4
Cash shortages (see next page)	1,476,000	1,611,000	-8.4
Utilities (premises owned by organization)	730,000	828,000	-11.8
Bond; local government investigation fee	328,000	343,000	-4.4
Advertising	526,000	525,000	0.2
Theft and liability insurance	920,000	826,000	11.4
Expenses were offset by reimbursements from a source of nongambling funds for the following:			
Excess cash shorts	(688,000)	(715,000)	-3.8
Negative expense calculations	(889,000)	(1,186,000)	-25.0

NOTE: Rent is all-inclusive (utilities, etc.) and for bar operations, the lessor must reimburse all cash shortages. Lessors and their employees may not be paid compensation. License and permit fees paid to the state are reported as a lawful purpose instead of as an allowable expense. <sup>1</sup>The increase in accounting expenses is due to the fact that annual audit fees after 6-30-06 are reported as an allowable expense instead of a lawful purpose.

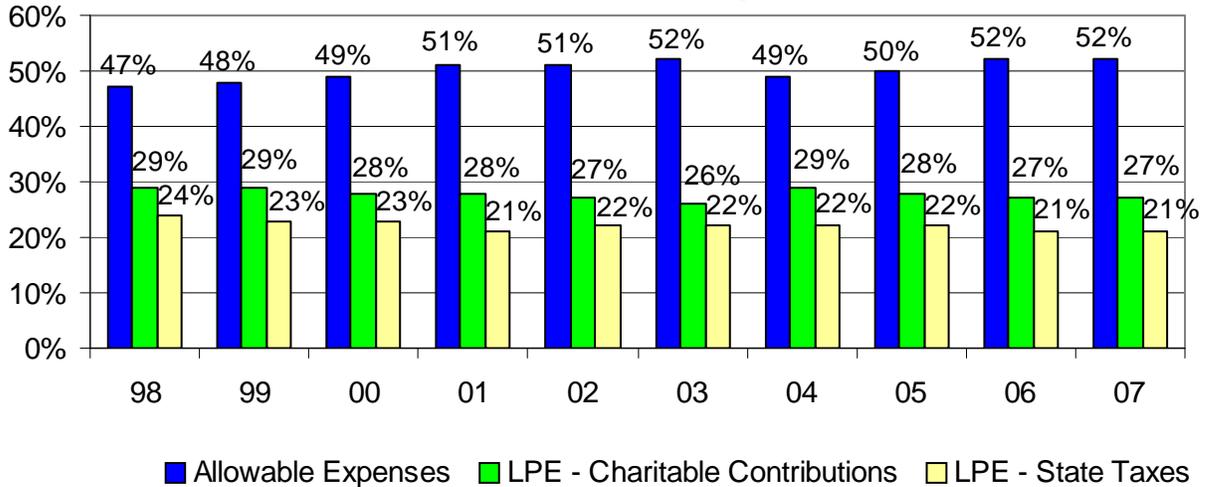
### Ten-Year Comparison of Allowable Expenses

07	\$121,700,000
06	\$122,928,000
05	\$126,026,000
04	\$126,412,000
03	\$130,471,000
02	\$132,644,000
01	\$132,960,000
00	\$133,388,000
99	\$127,376,000
98	\$123,452,000

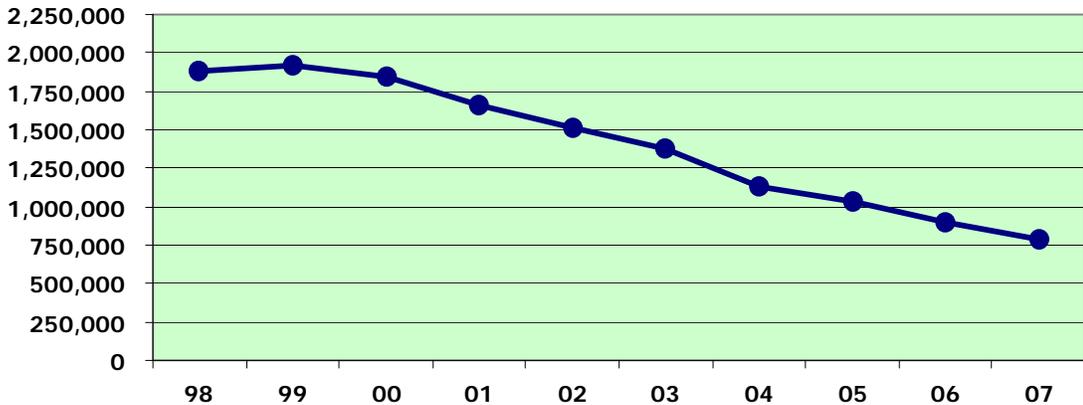


# Lawful Gambling Statistics

### Distribution of Net Receipts



### Net Cash Shortages



FY	Net Cash Shortages
07	\$ 788,000
06	896,000
05	1,038,000
04	1,132,000
03	1,383,000
02	1,513,000
01	1,656,000
00	1,840,000
99	1,924,000
98	1,877,000

A cash shortage is the difference between the reported net receipts for a game and the actual cash on hand to be deposited for that game.

For reporting purposes, shortages may not exceed three-tenths of one percent (.3%) of gross receipts (sales) and are treated as an allowable expense.

For bar operation leases, cash shortages must be reimbursed by the lessor.

The Board closely monitors cash shortages, because shortages may indicate theft or mismanagement.

# Lawful Gambling Activity within a County

COUNTY	G R O S S			N E T (after prizes)		
	RECEIPTS		% CHANGE since FY06	RECEIPTS		% CHANGE since FY06
	FY07	FY06		FY07	FY06	
Aitkin	13,182,000.00	13,518,000	-2.5%	2,299,000.00	2,385,000	-3.6%
Anoka	111,179,000	111,619,000	-0.4%	20,239,000	20,207,000	0.2%
Becker	11,927,000	11,738,000	1.6%	2,113,000	2,101,000	0.6%
Beltrami	7,603,000	8,619,000	-11.8%	1,313,000	1,486,000	-11.6%
Benton	12,435,000	12,111,000	2.7%	2,443,000	2,399,000	1.8%
Big Stone	682,000	666,000	2.4%	133,000	124,000	7.3%
Blue Earth	13,438,000	15,175,000	-11.4%	2,570,000	2,817,000	-8.8%
Brown	4,793,000	5,152,000	-7.0%	957,000	1,021,000	-6.3%
Carlton	10,612,000	10,947,000	-3.1%	1,766,000	1,874,000	-5.8%
Carver	14,523,000	15,557,000	-6.6%	2,610,000	2,811,000	-7.2%
Cass	10,740,000	11,978,000	-10.3%	1,974,000	2,112,000	-6.5%
Chippewa	4,787,000	4,658,000	2.8%	811,000	800,000	1.4%
Chisago	13,043,000	12,174,000	7.1%	2,370,000	2,235,000	6.0%
Clay	13,383,000	13,515,000	-1.0%	2,505,000	2,453,000	2.1%
Clearwater	3,433,000	3,472,000	-1.1%	647,000	595,000	8.7%
Cook	129,000	109,000	18.3%	33,000	27,000	22.2%
Cottonwood	1,562,000	1,457,000	7.2%	313,000	278,000	12.6%
Crow Wing	34,131,000	34,356,000	-0.7%	6,177,000	6,278,000	-1.6%
Dakota	68,007,000	69,162,000	-1.7%	12,737,000	12,886,000	-1.2%
Dodge	3,499,000	3,956,000	-11.6%	680,000	765,000	-11.1%
Douglas	20,414,000	19,641,000	3.9%	3,177,000	3,183,000	-0.2%
Faribault	4,664,000	5,117,000	-8.9%	868,000	942,000	-7.9%
Fillmore	7,308,000	7,905,000	-7.6%	1,379,000	1,473,000	-6.4%
Freeborn	6,920,000	9,257,000	-25.2%	1,382,000	1,844,000	-25.1%
Goodhue	8,051,000	8,234,000	-2.2%	1,482,000	1,502,000	-1.3%
Grant	3,038,000	3,312,000	-8.3%	512,000	497,000	3.0%
Hennepin	155,276,000	155,636,000	-0.2%	27,804,000	27,535,000	1.0%
Houston	6,345,000	6,597,000	-3.8%	1,183,000	1,212,000	-2.4%
Hubbard	11,562,000	12,810,000	-9.7%	1,620,000	1,819,000	-10.9%
Isanti	9,165,000	9,946,000	-7.9%	1,634,000	1,791,000	-8.8%
Itasca	15,022,000	16,077,000	-6.6%	2,764,000	2,884,000	-4.2%
Jackson	594,000	762,000	-22.0%	124,000	153,000	-19.0%
Kanabec	5,083,000	4,955,000	2.6%	947,000	926,000	2.3%
Kandiyohi	7,876,000	8,376,000	-6.0%	1,436,000	1,475,000	-2.6%
Kittson	1,683,000	1,514,000	11.2%	290,000	253,000	14.6%
Koochiching	5,538,000	5,514,000	0.4%	978,000	961,000	1.8%
Lac qui Parle	1,680,000	1,915,000	-12.3%	321,000	340,000	-5.6%
Lake	3,577,000	3,470,000	3.1%	623,000	607,000	2.6%
Lake of the Woods	4,327,000	5,115,000	-15.4%	765,000	898,000	-14.8%
Le Sueur	8,738,000	9,004,000	-3.0%	1,619,000	1,712,000	-5.4%
Lincoln	707,000	761,000	-7.1%	174,000	179,000	-2.8%
Lyon	3,626,000	3,288,000	10.3%	710,000	646,000	9.9%
Mahnomen	467,000	642,000	-27.3%	61,000	76,000	-19.7%
Marshall	5,092,000	4,934,000	3.2%	811,000	782,000	3.7%
Martin	6,041,000	6,874,000	-12.1%	1,058,000	1,187,000	-10.9%

## Lawful Gambling Activity within a County

COUNTY	G R O S S			N E T (after prizes)		
	RECEIPTS		% CHANGE since FY06	RECEIPTS		% CHANGE since FY06
	FY07	FY06		FY07	FY06	
McLeod	11,521,000	11,933,000	-3.5%	2,142,000	2,208,000	-3.0%
Meeker	5,676,000	6,664,000	-14.8%	1,120,000	1,306,000	-14.2%
Mille Lacs	13,965,000	14,962,000	-6.7%	2,565,000	2,723,000	-5.8%
Morrison	19,390,000	20,497,000	-5.4%	3,449,000	3,636,000	-5.1%
Mower	10,555,000	12,209,000	-13.5%	2,122,000	2,482,000	-14.5%
Murray	1,219,000	1,089,000	11.9%	249,000	218,000	14.2%
Nicollet	5,739,000	6,277,000	-8.6%	1,202,000	1,269,000	-5.3%
Nobles	2,247,000	2,325,000	-3.4%	474,000	482,000	-1.7%
Norman	1,520,000	1,691,000	-10.1%	249,000	255,000	-2.4%
Olmsted	18,748,000	19,600,000	-4.3%	4,054,000	4,098,000	-1.1%
Otter Tail	22,041,000	22,218,000	-0.8%	3,864,000	3,951,000	-2.2%
Pennington	6,028,000	6,426,000	-6.2%	1,093,000	1,171,000	-6.7%
Pine	9,987,000	10,506,000	-4.9%	1,849,000	1,911,000	-3.2%
Pipestone	386,000	478,000	-19.2%	90,000	106,000	-15.1%
Polk	20,825,000	20,862,000	-0.2%	3,381,000	3,543,000	-4.6%
Pope	5,233,000	5,640,000	-7.2%	924,000	1,002,000	-7.8%
Ramsey	100,830,000	114,303,000	-11.8%	20,253,000	22,788,000	-11.1%
Red Lake	2,061,000	1,874,000	10.0%	348,000	335,000	3.9%
Redwood	2,049,000	1,885,000	8.7%	405,000	363,000	11.6%
Renville	3,593,000	3,435,000	4.6%	663,000	623,000	6.4%
Rice	13,048,000	13,104,000	-0.4%	2,642,000	2,739,000	-3.5%
Rock	1,420,000	1,872,000	-24.1%	267,000	333,000	-19.8%
Roseau	5,848,000	5,808,000	0.7%	999,000	987,000	1.2%
Scott	18,207,000	17,962,000	1.4%	3,318,000	3,300,000	0.5%
Sherburne	27,272,000	28,894,000	-5.6%	4,671,000	4,870,000	-4.1%
Sibley	4,418,000	5,142,000	-14.1%	842,000	987,000	-14.7%
St. Louis	55,823,000	59,799,000	-6.6%	9,192,000	9,924,000	-7.4%
Stearns	50,168,000	52,413,000	-4.3%	10,255,000	10,476,000	-2.1%
Steele	10,504,000	11,519,000	-8.8%	2,004,000	2,226,000	-10.0%
Stevens	2,275,000	2,283,000	-0.4%	420,000	438,000	-4.1%
Swift	4,432,000	4,619,000	-4.0%	829,000	833,000	-0.5%
Todd	11,666,000	12,286,000	-5.0%	2,075,000	2,168,000	-4.3%
Traverse	440,000	587,000	-25.0%	77,000	109,000	-29.4%
Wabasha	8,133,000	8,924,000	-8.9%	1,549,000	1,680,000	-7.8%
Wadena	4,741,000	5,105,000	-7.1%	766,000	842,000	-9.0%
Waseca	4,795,000	5,029,000	-4.7%	932,000	989,000	-5.8%
Washington	45,400,000	45,655,000	-0.6%	8,611,000	8,686,000	-0.9%
Watonwan	3,709,000	3,875,000	-4.3%	647,000	651,000	-0.6%
Wilkin	824,000	874,000	-5.7%	142,000	150,000	-5.3%
Winona	15,860,000	15,862,000	0.0%	3,129,000	3,121,000	0.3%
Wright	47,186,000	45,571,000	3.5%	7,736,000	7,632,000	1.4%
Yellow Medicine	1,001,000	1,267,000	-21.0%	191,000	244,000	-21.7%
<b>TOTAL</b>	<b>1,256,665,000</b>	<b>1,304,919,000</b>	<b>-3.7%</b>	<b>230,202,000</b>	<b>238,386,000</b>	<b>-3.4%</b>

NOTE: Receipts are based on **sites** located within a county. Variances between the above totals and those listed on page 5 are due to rounding and reports being generated at different times.

# Local Unit of Government

## LOCAL GAMBLING TAX

A city or county may impose a local gambling tax, only if they do not charge an investigation fee or other local taxes on lawful gambling. The tax, up to 3% per year, may be imposed only if the amount is necessary to cover the costs to regulate gambling in their jurisdiction. A report must be submitted to the Gambling Control Board by March 15 each year. The following cities reported information for 2006.

City	Rate	Collected	City	Rate	Collected
Austin	0.50%	5,574.08	Minneapolis	3%	165,975.20
Bloomington	0.25%	5,846.43	North Mankato	3%	14,703.87
Duluth	3%	85,211.00	Owatonna	3% (to \$500)	4,650.00
East Bethel	3%	19,265.38	Plymouth	3%	377.69
Fridley	3%	74,163.87	Roseville	3%	81,344.06
Lino Lakes	0.10%	843.59	Saint Paul	2.5%	171,308.00
Madison Lake	3%	1,124.17	Shoreview	3%	4,460.61
Mankato	3%	56,504.26	Spring Lake Park	3%	65,151.00
Maple Grove	0.50%	5,458.23	White Bear Lake	2%	31,773.00
Mendota	2%	3,390.53	Worthington	3%	6,305.00
<b>Total collected</b>					<b>\$803,429.97</b>

The following cities reported no tax imposed in 2006 but maintained an existing balance: Eden Prairie, Little Canada, and St. Louis Park

## LAWFUL PURPOSE CONTRIBUTIONS TO LOCAL UNITS OF GOVERNMENT

### VOLUNTARY A-10 LPE CONTRIBUTIONS

- Organizations may provide voluntary contributions to units of government (under lawful purpose code A-10) for government programs and projects of the United States, the state of Minnesota, or local units of government.
- When receiving a voluntary A-10 contribution, the unit of government is required to acknowledge the contribution through the use of the LG555, a Board-provided form that is maintained by the contributing organization. The city or county is not required to report the receipt of these contributions to the Board.

### 10% FUND CONTRIBUTIONS, WHEN MANDATED BY ORDINANCE

As established by ordinance, a city or county (not a township) may require an organization to contribute up to 10% per year of net profits to a fund that the city or county administers. The city or county is not required to sign the LG555 for these contributions, even though they are reported to the Board as A-10 contributions by the contributing organization.

- The 10% requirement may only be applied to net profits derived from lawful gambling conducted at premises within the city or county's jurisdiction.
- The funds may only be spent by the city or county for charitable contributions as defined in Minnesota Statutes 349.12, subdivision 7a, or for police, fire, and other emergency or public safety-related services, equipment, and training.
- The fund may not be used for the payment of pension obligations or general city functions.
- A licensed organization that contributes to the 10% fund may not be the beneficiary of the fund.
- A report must be submitted to the Gambling Control Board by March 15 each year by each city or county that has a 10% fund.

**In fiscal year 2007, a total of \$10,215,000 was contributed to:**

- units of government for voluntary contributions as allowed under code A-10, and
- to 82 cities for 10% fund contributions mandated by city ordinance.

## Effective May 26, 2007

### Linked Bingo

**Number of games allowed; progressive allowed** - An organization may conduct or participate in not more than *two* linked bingo games per occasion, one of which may be a *progressive game* in which a portion of the prize is carried over from one occasion to another until won by a player achieving a bingo within a predetermined amount of bingo numbers called. *[Minn. Stat. 349.17, Subdivision 8(a)]*



#### Prize limits

**Contribution amount** - An organization may not contribute more than \$300 *per linked bingo game to a linked bingo prize pool.* *[Minn. Stat. 349.211, Subdivision 1a(1) and 349.17, Subdivision 8(b)]*

**Consolation prize** - An organization may not award more than \$200 for a linked bingo game consolation prize. A linked bingo game consolation prize is a prize awarded by an organization after a prize from the linked bingo prize pool has been won. *[Minn. Stat. 349.211, Subdivision 1a(2)]*

**Cover-all prize** - The requirement that an organization must reduce the amount contributed to the linked bingo prize pool from the total value of cover-all prizes available during the bingo occasion was removed. *[Minn. Stat. 349.211, Subdivision 1a(2)]*

**Progressive prize** - For a progressive linked bingo game, if no player declares a valid bingo within the predetermined amount of bingo numbers called, a portion of the prize is carried over to another occasion until the accumulated prize is won. The portion of the prize that is not carried over must be awarded to the first player or players who declares a valid bingo as additional numbers are called. If a valid bingo is declared within the predetermined amount of bingo numbers called, the entire prize pool for that game is awarded to the winner.

The annual limit for (all) progressive bingo game prizes (\$48,000) must be reduced by the amount an organization contributes to progressive linked bingo games during the same calendar year. *[Minn. Stat. 349.211, Subdivision 1a(3)]*

There is no limit on the progressive amount awarded for a linked bingo game. *[Minn. Stat. 349.211, Subdivision 2]*

#### Separate account

The requirement for an organization to have a separate bank account for the linked bingo prize pool account was eliminated. *[Minn. Stat. 349.19, Subd. 2b]*

#### Linked bingo prize pool

**Effective August 1, 2007** - The definition of "linked bingo prize pool" was amended to allow a portion of the prize pool to be carried over from one occasion to another in a progressive linked bingo game. *[Minn. Stat. 349.12, Subdivision 25d]*

### Bingo Cover-all Game

A **cover-all game** may include a game in which all odd or all even numbers are designated by the organization as covered prior to the start of the game. (Per rule, this requires the use of sealed bingo paper.) *[Minn. Stat. 349.211, Subdivision 1]*

# Legislative Changes

## Effective May 26, 2007

### Pull-tab and Tipboard Games

<b>Approval</b>	The Board is prohibited from denying approval of a pull-tab or tipboard game solely because the game is similar to or bears the name or image of a licensed commercial product. <i>[Minn. Stat. 349.163, Subdivision 6b]</i>
<b>Ticket price</b>	The maximum price allowed to be charged for a pull-tab or tipboard ticket was changed from \$2 to \$5. <i>[Minn. Stat. 349.211, Subd. 2a and 2c]</i>

## Effective July 1, 2007

### Allowable Expenses - Bingo

The percent of bingo gross receipts that may be used for allowable expenses changed. Effective July 1, 2007, it will be a straight 70% of bingo gross receipts. Currently it is 70% after taxes are deducted. Revenue will provide an updated form in July.  
*[Minn. Stat. 349.15, Subdivision 1]*

## Effective August 1, 2007

### Fraternal Organizations

**Definition** - "Fraternal organization" means a nonprofit organization which is a branch, lodge, or chapter of a national or state organization registered by the Internal Revenue Service as a 501(c)8 or a 501(c)10 nonprofit organization and exists for the common business, fraternal, or other interests of its members. The term does not include college and high school fraternities and sororities. *[Minn. Stat. 349.12, Subdivision 16a]*

**Lawful purpose expenditure** under code A-16 was amended to include fraternal organizations, i.e. an expenditure by a **licensed fraternal organization** or a licensed veterans organization for payment of water, fuel for heating, electricity, and sewer costs for a building wholly owned or wholly leased by and used as the primary headquarters of the licensed veterans organization or **fraternal organization**.  
*[Minn. Stat. 349.12, Subdivision 25(a)(16)]*

## Rules Reorganized and Simplified

In 2005 the Board initiated a rule process to amend rules governing lawful gambling, repeal rules governing bingo halls, and to address legislative changes that occurred in *Minnesota Statutes* section 349 in 2005, including the optional use of electronic bingo devices. Other statutory changes impacting rules included clarification of bingo, bingo rent, lawful purpose expenditures, allowable expenses, licensing qualifications and restrictions, raffles, and tipboards. Included in the process were changes to remove inconsistencies and the elimination of any language duplicative of statute or determined to be obsolete.

The Request for Comments on the rule review was published on August 1, 2005 in the State Register.

On October 31, 2005 and June 5, 2006, amended notices were published in the State Register seeking comments on planned new rules governing electronic bingo devices, new pull-tab and tipboard games, amendments to existing rules, and to address legislative changes that occurred in 2006.

A Public Advisory Committee (PAC) was formed to advise the Board on the provisions of the rule amendments and to comment on rules drafts. The PAC met on several occasions to review rule drafts and provide opinions on rules issues and concerns.

On November 27, 2006, a notice was published in the State Register of the Board's intent to adopt rules without a public hearing, and that the rules pertaining to lawful gambling, chapters 7861, 7863, 7864, and 7865 were being repealed in their entirety and reenacted with new part numbers, reorganization of language in new subparts, elimination of necessary language, and consolidation of similar requirements. Chapter 7862, pertaining to bingo halls, was repealed and not reenacted because of the statutory elimination of licensed bingo halls.

The rules became effective on March 19, 2007.

The Board's rulemaking docket and other rule related notices can be accessed at [www.gcb.state.mn.us](http://www.gcb.state.mn.us).

# Education Program

An integral part of the Board's mission is educating the lawful gambling industry. To ensure the integrity of the industry, education is provided to organizations through the following opportunities.

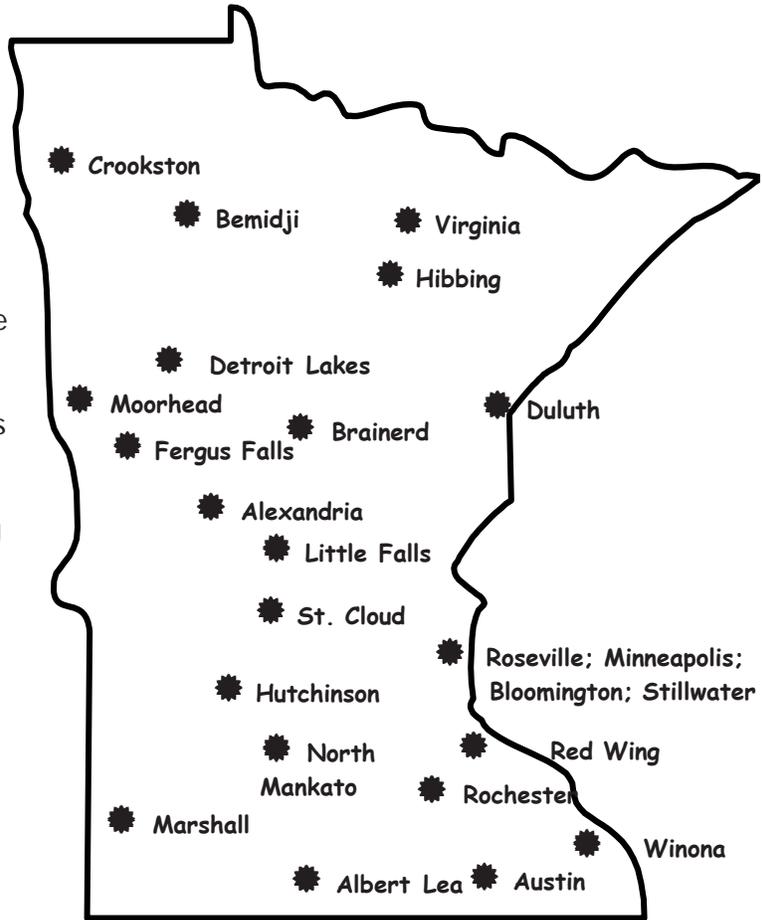
## Continuing Education Classes Speaking Engagements

Gambling managers are required to attend one class during each year of their two-year license term.

Continuing education classes are conducted at various locations throughout the state free of charge and are open to the public. The chief executive officer, members, and employees of the organizations are invited as well.

During the fiscal year, 68 continuing education classes were conducted.

Staff participated in speaking engagements throughout the state at conferences and conventions, such as American Legion, VFW, Eagles, and Lions.



## Other Education Programs

### Gambling Manager Seminars

Gambling manager seminars were conducted each month by Board staff. Each seminar consisted of two days of training and included information on statutes, rules, conduct of lawful gambling, internal controls, reporting and licensing requirements, and the organization's responsibilities.

### Mentoring

The Board's mentoring program provides one-on-one training to organizations on how to properly manage their gambling operation and comply with all reporting requirements. The program also provides guidance to licensed organizations that have experienced serious operational difficulties. New organizations or existing organizations with a new gambling manager may voluntarily participate in this program.

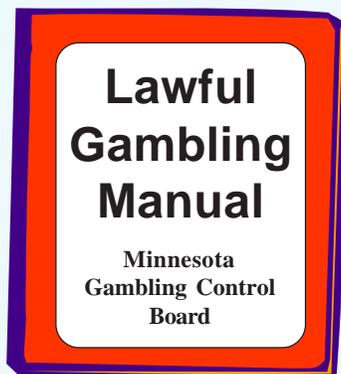
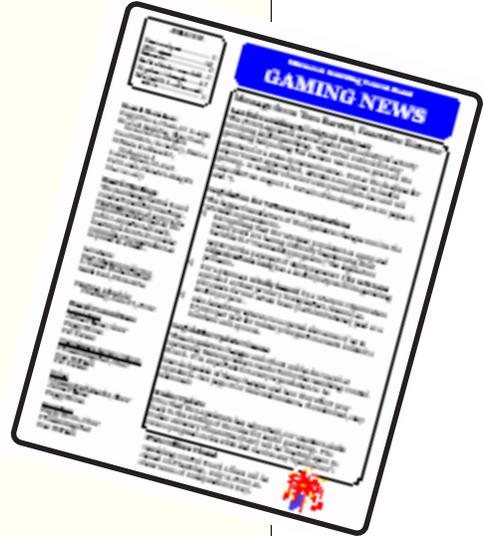
## Gaming News

The Board publishes the bi-monthly *Gaming News* newsletter on its web site at [www.gcb.state.mn.us](http://www.gcb.state.mn.us). The newsletter is mailed to all licensed gambling managers. Subscriptions to the newsletter are available through Minnesota's Bookstore.

*Gaming News* provides up-to-date information on compliance, licensing, and education issues.

*Gaming News* also includes information on legislative and rule changes, scheduled continuing education classes, forms, and Board activities.

The Departments of Revenue and Public Safety and the Internal Revenue Service periodically contribute articles for the newsletter.



The *Lawful Gambling Manual* is a handy reference guide for CEO's, gambling managers, and organizations--whether new or experienced.

The *Manual* provides information on statute and rule requirements in an easy to understand format.

The *Manual* is divided into chapters that are easily referenced for:

- √ licensing requirements,
- √ conduct for each form of lawful gambling: pull-tabs, bingo, paddlewheels, tipboards, and raffles,
- √ managing gambling equipment inventory,
- √ guidelines for internal controls of the gambling operation including accounting and administrative controls, with a section on monthly oversight,
- √ how net receipts may be spent, and
- √ a comprehensive cross-reference index.

“Everything you always wanted to know about lawful gambling...” can be found on the Board’s web site at

[http://](http://www.gcb.state.mn.us)

[www.gcb.state.mn.us](http://www.gcb.state.mn.us)

- Links to other agencies
- Link to legislature
- E-mail links to staff

## PUBLICATIONS



- Gaming News
- CEO Guidebook
- Illegal Gambling
- Lawful Gambling Manual
- Who May and May Not Play
- Raffle Ticket Requirements
- Frequently Asked Bingo Questions

## BOARD



## INFORMATION

- √ Meeting dates
- √ Summary of monthly Board meetings

## CITY HALL

### LOCAL GOVERNMENT

- authority and restrictions
- local tax or investigation fee
- contribution fund
- reports

## EDUCATION AND OTHER INFORMATION

“We’re here to help”



- Continuing education; training dates
- Request for mentoring
- Forms
- Lawful gambling statutes and rules
- List of licenses
  - nonprofit organizations
  - distributors and manufacturers
  - linked bingo game providers



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