

	PAGE
Agency Profile	2
Agency Fiscal Page (Gov Rec)	5
Change Summary	6
Agency Change Items	
⇒ Appropriation Realignment To Revenue	7
Agency Revenue Summary Fiscal Page	8
⇒ Designates that this item is a change item	

Agency Purpose

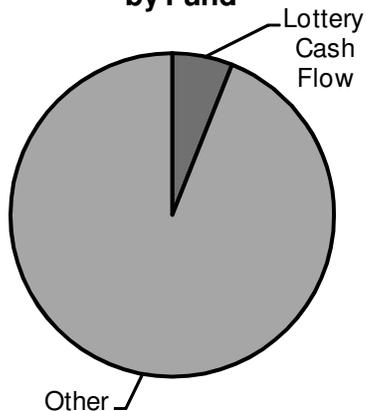
The Gambling Control Board regulates lawful (charitable) gambling in Minnesota, so that citizens are assured of the integrity of the industry and nonprofit organizations may continue to raise funds for charitable contributions. The board provides education, training and auditing of the licensed charitable organizations conducting lawful gambling activities, and licenses manufacturers and distributors of gambling equipment.

The Gambling Control Board regulates five forms of lawful gambling: pull-tabs, raffles, bingo, paddlewheels, and tipboards. Licensed charitable organizations involved in the conduct of lawful gambling include veteran posts (VFW/American Legions), youth athletics, fraternal, fire relief associations, civic and festival groups, wildlife/outdoor conservationists and religious congregations. The Gambling Control Board also acts as the grant administrator for the funding provided by the legislature for FY 2010-11 for the problem gambling awareness programs and educational training.

At a Glance

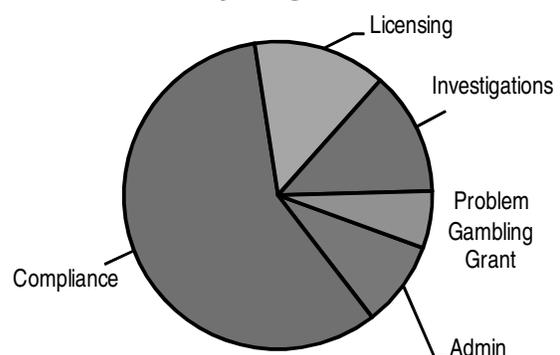
- Lawful gambling had gross receipts of \$1 billion per year in 2009 including \$37 million state taxes, and charitable contributions of \$43 million
- Licenses/permits holders paid fees of \$2.6 million in FY 2010 for:
 - 2,800 gambling sites
 - 1,250 nonprofit organizations
 - 2,300 tax exempt charitable organizations conducted 3,200 gambling activities (gross receipts from tax exempt gambling exceeded \$33 million in 2009)
 - 93 Distributor salespersons
 - 13 Distributors
 - 11 Manufacturers
 - One linked bingo game provider
- For every dollar spent on lawful gambling only three tenths of one penny goes for regulation
- FY 2010 Budget
 - \$2.8 million dedicated fund expenditures
 - License/permit and game approval/testing fees = \$1.6 million
 - Regulatory fee of .001 of gross receipts = \$1 million
- For FY 2010-11, administered \$225,000 annual grant funding (from the Lottery Cash Flow) for problem gambling awareness and education (Northstar Problem Gambling Alliance)

Est. FY 2010-11 Expenditures by Fund



Source: Consolidated Fund Statement.

Est. FY 2010-11 Expenditures by Program



Source: Gambling Control Board

Strategies

The Gambling Control Board issues, suspends, and revokes lawful gambling licenses. Audits and inspections of 2,800 gambling sites are conducted to determine law compliance and help ensure the integrity of operations and accountability of \$1 billion in annual gross receipts. Training and education is available throughout the state for 17,000 registered employees of licensed organizations.

Operations

The Board is comprised of seven citizens and supported by 28 full-time equivalent staff. It regulates and provides education and guidance to the lawful gambling industry.

- **Administration** oversees the agency providing rules coordination, human resources and administrative support for the Board.
- **Compliance** conducts compliance audits of licensed organizations and educates the industry using training classes, a comprehensive website and newsletter, and mentoring program.
- **Investigations** monitors for theft and fraud in the industry by inspecting gambling products and sites, investigating irregularities noted in compliance audits and responding to allegations made by players.
- **Licensing** reviews applications and issues licenses and permits for those compliant with statutes. If serious statute violations are found the board will suspend or revoke lawful gambling licenses.
- **Grant Funding** for FY 2010-11 for the Minnesota affiliate, Northstar Problem Gambling Alliance, which provides training and education for problem gambling awareness programs.

Key Goals & Measures

The Gambling Control Board strives to assure integrity of the lawful gambling industry and ensure the licensed charitable organizations continue to support all of Minnesota's Milestones.

The board annually conducts:

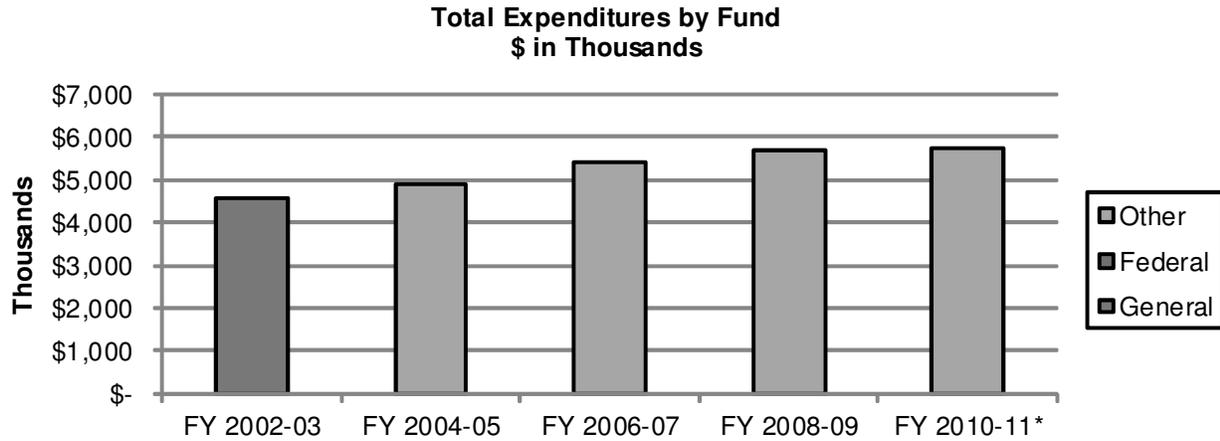
- compliance reviews of over 600 organizations;
- compliance inspections of 1,400 gambling sites; and
- 200 criminal investigations

2010 Accomplishments

To help organizations maximize dollars for their charitable programs the board requested and received legislative changes for:

- a lawful purpose rating system to help organizations focus on charitable contributions;
- allowing organizations more flexibility in operating lawful gambling activities;
- greater flexibility for repairing and maintaining owned buildings; and
- perpetual licensing for nonprofit organizations, gambling managers, and premises permits; eliminating the paperwork for the renewal process.

Budget Trends



Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 08/30/10. *FY 2010-11 is estimated, not actual

Minnesota is one of the largest in the nation in terms of charitable gaming receipts and is one of the smallest states in terms of regulation. For every dollar spent on lawful gambling just three tenths of a penny goes toward regulation. Lawful gambling gross receipts have declined 30% since FY 2005, but the number of licensed sites has dropped only 16%. The down turn in the economy has increased the demand on charitable organizations but charitable gaming receipts have declined.

The gaming industry has evolved into more electronic formats in other states. Minnesota statute and rules regulating charitable gaming restrict the industry from offering these games in Minnesota.

Contact

Gambling Control Board
 1711 West County Road B Suite 300 South
 Roseville, Minnesota 55113
 Web Page: <http://www.gcb.state.mn.us>

Tom Barrett, Executive Director
 Phone: (651) 639-4090
 Fax: (651) 639-4032

GAMBLING CONTROL BOARD

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2012-13
	FY2010	FY2011	FY2012	FY2013	
<u>Direct Appropriations by Fund</u>					
Miscellaneous Special Revenue					
Current Appropriation	2,940	2,940	2,940	2,940	5,880
Recommended	2,940	2,940	2,740	2,740	5,480
Change		0	(200)	(200)	(400)
% Biennial Change from 2010-11					-6.8%
Lottery Cash Flow					
Current Appropriation	225	225	225	225	450
Recommended	225	225	0	0	0
Change		0	(225)	(225)	(450)
% Biennial Change from 2010-11					-100%
<u>Expenditures by Fund</u>					
Direct Appropriations					
Miscellaneous Special Revenue	2,794	2,705	2,715	2,765	5,480
Lottery Cash Flow	153	225	0	0	0
Total	2,947	2,930	2,715	2,765	5,480
<u>Expenditures by Category</u>					
Total Compensation	2,398	2,280	2,290	2,340	4,630
Other Operating Expenses	396	425	425	425	850
Local Assistance	153	225	0	0	0
Total	2,947	2,930	2,715	2,765	5,480
<u>Expenditures by Program</u>					
Lawful Gambling Control	2,794	2,705	2,715	2,765	5,480
Problem Gambling Grants	153	225	0	0	0
Total	2,947	2,930	2,715	2,765	5,480
Full-Time Equivalents (FTE)	30.4	28.1	28.1	28.1	

GAMBLING CONTROL BOARD

Change Summary

Dollars in Thousands

	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: MISCELLANEOUS SPECIAL REVENUE				
FY 2011 Appropriations	2,940	2,940	2,940	5,880
Subtotal - Forecast Base	2,940	2,940	2,940	5,880
Change Items				
Appropriation Realignment to Revenue	0	(200)	(200)	(400)
Total Governor's Recommendations	2,940	2,740	2,740	5,480
Fund: LOTTERY CASH FLOW				
FY 2011 Appropriations	225	225	225	450
Technical Adjustments				
One-time Appropriations		(225)	(225)	(450)
Subtotal - Forecast Base	225	0	0	0
Total Governor's Recommendations	225	0	0	0

GAMBLING CONTROL BOARD

Change Item: Appropriation Realignment to Revenue

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Other Fund				
Expenditures	\$(200)	\$(200)	\$(200)	\$(200)
Revenues	0	0	0	0
Net Fiscal Impact	\$(200)	\$(200)	\$(200)	\$(200)

Recommendation

The Governor recommends reducing the appropriation to the Gambling Control Board by \$200,000 each year due to the decrease in lawful gambling activity. Charitable gaming receipts have declined and the Gambling Control Board has adjusted spending accordingly. Although this account is funded with licensing and regulatory fees, spending has historically been capped by the legislature.

Rationale

Current spending authority exceeds anticipated revenues. Reducing the spending authority will reflect the current level of lawful gambling and regulation expenditures. The proposed appropriation level continues to exceed revenue, but prior years' revenues have created an accumulated balance that will be used to cover necessary operating costs.

In response to the decreased revenue the Gambling Control Board has managed its resources effectively and made necessary changes to its budget to operate at a reduced cost. In FY 2010 \$2.794 million was spent for lawful gambling regulation. FY 2011 expenditures are estimated at \$2.705 million. The spending cap each year was \$2.94 million.

The reduction in the spending cap for lawful gambling reflects the decrease in lawful gambling activity but still maintains an appropriate level of regulatory oversight for stakeholders involved in lawful gambling. Efficient use of resources and technology allows the Gambling Control Board to continue to effectively regulate lawful gambling in Minnesota.

Statutory Change: Not Applicable

GAMBLING CONTROL BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Other Revenues:					
General	48	50	50	50	100
Total Non-Dedicated Receipts	48	50	50	50	100
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Miscellaneous Special Revenue	1,655	1,595	1,595	1,595	3,190
Total Dedicated Receipts	1,655	1,595	1,595	1,595	3,190
Agency Total Revenue	1,703	1,645	1,645	1,645	3,290