

Guide for Cities

How Cities May Spend 10% Lawful Gambling Contributions Required from Charities

Minnesota Gambling Control Board
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Minnesota Statutes, section 349.213, subdivision 1, paragraph (f)(2), allows a local unit of government to require, by ordinance, a licensed organization to contribute up to 10% of the organization's net profits derived from lawful gambling to a fund administered by the local unit of government. Net profits are gross profits less sums actually expended for allowable expenses and amounts paid in taxes assessed on lawful gambling.

The funds must be disbursed by the city for charitable contributions as defined by section 349.12, subdivision 7a:

- A city may donate 10% lawful gambling funds:
 - ✓ For activities and facilities for youth under age 21.
 - ✓ To a 501(c)(3) organization provided that the city does not retain control of these funds.
 - ✓ To a scholarship fund.
 - ✓ To relieve the effects of poverty, homelessness, or disability (for example, a homeless shelter).
 - ✓ To a program for the education, prevention, or treatment of problem gambling.
 - ✓ For recognition of military service (free and open to the public) or support for active military personnel and their immediate family members in need.
 - ✓ To a church.
 - ✓ With Minnesota Pollution Control Agency (PCA) approval, for citizen monitoring of surface water quality by individuals (requires submitting data to the PCA).
 - ✓ With Minnesota Department of Natural Resources (DNR) approval, for wildlife management projects or activities that benefit the public-at-large; grooming or maintaining snowmobile or ATV trails, or other trails open to public use; supplies and materials for DNR-coordinated safety training and education programs.
 - ✓ For nutritional programs, food shelves, and congregate dining programs primarily for persons age 62 or older or disabled.
 - ✓ For community arts organizations, or sponsorship of community arts programs that are free and open to the public.
 - ✓ For humanitarian service, recognizing volunteerism or philanthropy.
- A city may not transfer 10% lawful gambling funds to other city accounts (for example, its own parks and recreation department, or police or fire department). A city may, however, purchase equipment and pay for services to train police, fire, or other public safety-related services, and payment must be written directly to the vendor. Examples include purchasing a police car, a fire truck, playground equipment, and training courses for police and firefighters.
- If a city contracts out for law enforcement services or other emergency services, it may spend 10% lawful gambling funds for those services (excluding pension obligations). The check must be written directly to the outside entity providing those law enforcement services.
- While a city may not donate 10% lawful gambling funds to its city parks and recreation department, it may donate 10% funds for playground equipment within a city park (allowed under activities and facilities for youth under age 21), or for construction or maintenance of a veterans memorial within a city park (recognition of military service). The checks must be written directly to the vendor. (Also, playground equipment and veterans memorials need not be located in a city park.)

Cities that collect funds from charitable gambling proceeds must spend the money the same way as charities do—for defined charitable purposes.

The city must submit form LG510 City or County Annual Report, 10% Lawful Gambling Contribution Fund, to the Minnesota Gambling Control Board by March 15 of each year describing the amount collected, details for disbursement, and any balance. The LG510 is available at www.mn.gov/gcb.

The Board will continue to monitor the receipt, proper disbursement, and fund balances. If you have any questions about what is or is not allowed, please call the Minnesota Gambling Control Board at 651-539-1900.