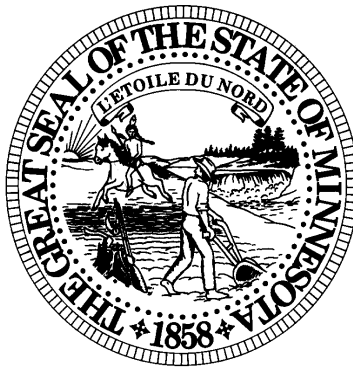


**Annual Report**  
**of the**  
**Gambling Control Board**

**Fiscal Year 1999**



**Minnesota Gambling Control Board**

*This annual report provides data for the 1999 fiscal year of  
July 1, 1998, through June 30, 1999.*

**T**he mission of the Gambling Control Board is to regulate lawful gambling in Minnesota, so that the integrity of the industry is insured 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:

- continuing education classes throughout the state,
- two-day gambling manager seminars,
- an individualized mentoring program, and
- a monthly newsletter.

With an emphasis on education and communication with the industry, the Board uses a pro-active approach to regulation. During the past year, two new developments have significantly increased the Board's ability to accomplish its mission:

### **Web Site Created**

The Board developed a Web site, providing a whole new avenue of reaching and educating clientele with the most current information on lawful gambling. Organizations, gambling managers, and other interested persons may access the Web site at local libraries or on home computers.

### **New Computer System Installed**

After months of planning, designing, and anticipating, the Board installed a computer system that merged the 150 separate data bases maintained since 1985 into one central information source. This new system will provide more consistent customer service.

This annual report provides information for the 1999 fiscal year of July 1, 1998, through June 30, 1999. Portions of the data were obtained from the Minnesota Department of Revenue. An addendum for the 1999 calendar year will be prepared and distributed when all data becomes available.

Respectfully submitted,

Peggy Moon  
Chair

Harry W. Baltzer  
Executive Director

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# Commonly Used Terms

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## **Allowable Expense**

Expenses or a proportion of expenses directly related to the conduct of lawful gambling (operating costs) that are paid from the gambling account.

## **Cash Shortages**

The difference between the amount of reported net receipts and the amount deposited into the gambling account.

## **Compliance Review**

Comprehensive examination of an organization's records and activities to determine compliance with statutory and rule requirements.

## **Gambling Control Board**

A seven-member citizen board created to oversee regulation of the lawful gambling industry. Five members are appointed by the Governor, one by the Attorney General, and one by the Commissioner of Public Safety.

## **Gambling Manager**

Member of a licensed nonprofit organization responsible for supervising the conduct of an organization's lawful gambling operation.

## **Gross Receipts**

The amount collected in wagers (sales).

## **Lawful Gambling**

The five forms of lawful gambling conducted by nonprofit organizations (bingo, paddlewheels, pull-tabs, raffles, and tipboards).

## **Lawful Purpose Expenditures**

Charitable contributions/expenditures from profits. Taxes are included as lawful purpose expenditures.

## **Net Receipts**

The amount remaining after wagers are collected and prizes are paid to players.

## **PAC**

Public Advisory Committee which includes industry representatives to discuss rule changes.

## **Payout %**

The percentage of the amount collected in wagers that is paid back to players in the form of prizes.

## **Post Compliance Review**

Follow-up review to ensure that corrective actions outlined in a compliance review have been taken.

## **Pull-Tab Dispensing Device**

Mechanical vending machine used to sell pull-tabs.

## **Taxes Paid**

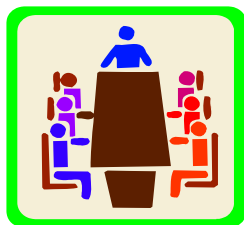
The three primary state lawful gambling taxes paid as lawful purpose expenditures are:

- 1.9 percent (reduced to 1.8, effective 7/1/99) of the gross receipts on pull-tab and tipboard games;
- 9.5 percent (reduced to 9.0, effective 7/1/99) on the net receipts on bingo, raffles, and paddlewheels; and
- combined receipts taxes, a progressive tax on pull-tab and tipboard gross receipts and interest income that is calculated for the 12 months ending on June 30.

# Gambling Control Board

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



*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."*

## Board Members

---

|   |   |
|---|---|
| Peggy Moon, Chair<br>Glenwood                     | Appointed by Governor<br>Term: 6/97 to 6/01                       |
| John Breon, Vice Chair<br>Wayzata                 | Appointed by Governor<br>Term: 9/98 to 6/00                       |
| Howard Register, Secretary<br>Inver Grove Heights | Appointed by Commissioner<br>of Public Safety, Term: 7/99 to 6/03 |
| Dennis Flaherty<br>St. Paul                       | Appointed by Attorney General<br>Term: 7/99 to 6/03               |
| Rocky Fontana<br>Minneapolis                      | Appointed by Governor<br>Term: 8/98 to 6/02                       |
| Don McHale<br>Pequot Lakes                        | Appointed by Governor<br>Term: 7/98 to 6/02                       |
| Irv Olsen<br>Fridley                              | Appointed by Governor<br>Term: 9/99 to 6/00                       |

## Board Counsel

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E. Joseph Newton, Assistant Attorney General  
Peter Marker, Assistant Attorney General

## Executive Director

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Harry W. Baltzer

FY 99 Budget: \$2,432,053  
Board Staff: 37

# Statement of Cash Receipts and Overview

July 1, 1998 - June 30, 1999

| Category  | Amount                 | Total Collected   |
|---|------------------------|-------------------|
| Manufacturer License  | \$5,000                | \$ 40,000         |
| Distributor License   | 3,500                  | 59,500            |
| Bingo Hall License  | 2,500                  | 35,000            |
| Organization License  | None                   |                   |
| Gambling Manager License  | 200                    | 85,500            |
|   | (\$100 in second year) |                   |
| Premises Permit   |                        |                   |
| Class A (bingo, paddlewheels, pull-tabs, tipboards, raffles)                        | 400                    | 35,900            |
| Class B (paddlewheels, pull-tabs, tipboards, raffles)                               | 250                    | 185,250           |
| Class C (bingo only, or bingo and pull-tabs under \$50,000 gross receipts per year) | 200                    | 1,600             |
| Class D (raffles only)  | 150                    | 1,350             |
| Exempt Permit   | 25                     | 57,025            |
| (Up to five days of activity, total prizes valued at \$50,000 or less)              |                        |                   |
| <b>Total License and Permit Fees</b>  |                        | <b>\$ 501,125</b> |
| <b>Total Civil Penalties and Fines</b>  | vary                   | <b>72,900</b>     |
| <b>TOTAL COLLECTED</b>  |                        | <b>\$ 574,025</b> |

## Industry Overview

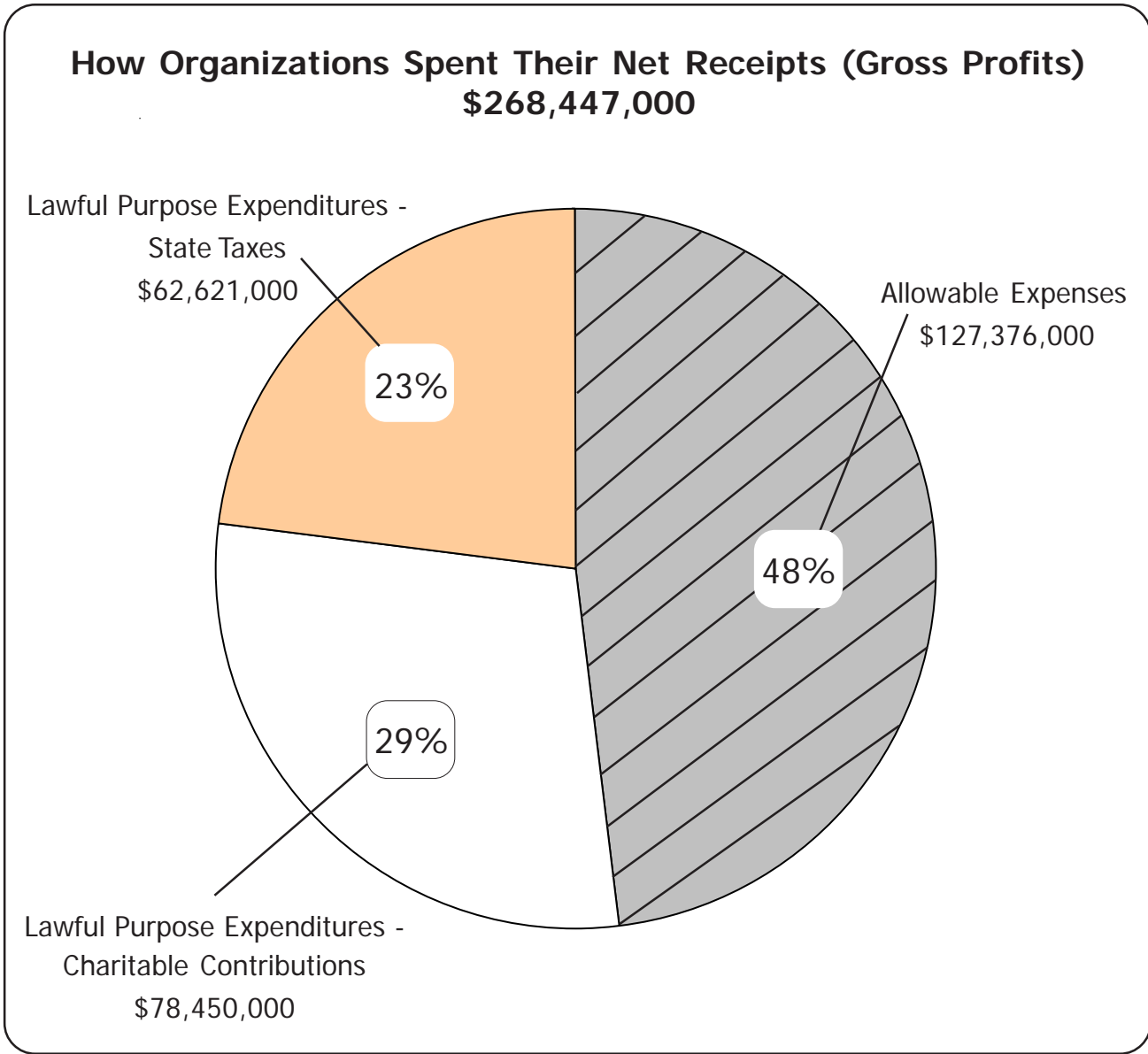
During fiscal year 1999, the Minnesota lawful gambling industry consisted of:

- **11 licensed manufacturers**  
The manufacturers sold product to licensed distributors.
- **19 licensed distributors**  
These distributors sold product to nonprofit lawful gambling organizations.
- **15 licensed bingo halls**  
Lawful gambling is conducted by organizations at licensed bingo halls.
- **1,521 licensed nonprofit organizations**  
Licensed organizations conduct gambling at permitted premises.
- **1,521 licensed gambling managers**
- **3,150 permitted premises**
- **1,682 exempt organizations**  
Permitted organizations conduct limited gambling up to five days per calendar year. Exempt organizations conducted 2,317 activities in fiscal year 1999.
- **989 excluded activities**  
Nonprofit organizations may apply for authorization to conduct excluded raffle or bingo activities. In fiscal year 1999, 989 excluded activities were conducted.

# Lawful Gambling Statistics

July 1, 1998 - June 30, 1999

| Activity        | Gross Receipts         | Prizes Paid            | Net Receipts         | Payout %     |              |
|-----------------|------------------------|------------------------|----------------------|--------------|--------------|
|                 |                        |                        |                      | FY 99        | FY 98        |
| Bingo           | \$ 76,234,000          | \$ 58,920,000          | \$ 17,314,000        | 77.3%        | 76.0%        |
| Raffles         | 3,831,000              | 2,019,000              | 1,812,000            | 52.7%        | 53.9%        |
| Paddlewheels    | 15,645,000             | 12,876,000             | 2,769,000            | 82.3%        | 82.0%        |
| Tipboards       | 3,290,000              | 2,013,000              | 1,277,000            | 61.2%        | 60.6%        |
| Pull-Tabs       | 1,349,390,000          | 1,104,780,000          | 244,610,000          | 81.9%        | 81.9%        |
| Interest Income | 665,000                | - 0 -                  | 665,000              |              |              |
| <b>TOTALS</b>   | <b>\$1,449,055,000</b> | <b>\$1,180,608,000</b> | <b>\$268,447,000</b> | <b>81.5%</b> | <b>81.4%</b> |



# Fiscal Year Comparison

July 1, 1998 - June 30, 1999

| Activity   | FY 1999                | FY 1998                | % Change      |
|--|------------------------|------------------------|---------------|
| <b>Gross Receipts (Sales)</b>                    |                        |                        |               |
| Bingo  | \$ 76,234,000          | \$ 77,843,000          | - 2.1%        |
| Raffles  | 3,831,000              | 3,684,000              | + 4.0%        |
| Paddlewheels                                     | 15,645,000             | 15,545,000             | + 0.6%        |
| Tipboards  | 3,290,000              | 2,847,000              | + 15.6%       |
| Pull-Tabs  | 1,349,390,000          | 1,306,497,000          | + 3.3%        |
| Interest Income                                  | 665,000                | 721,000                | - 7.8%        |
| <b>Total Gross Receipts</b>                      | <b>\$1,449,055,000</b> | <b>\$1,407,137,000</b> | <b>+ 3.0%</b> |
| <b>Net Receipts (Gross Receipts Less Prizes)</b> |                        |                        |               |
| Bingo  | \$ 17,314,000          | \$ 18,721,000          | - 7.5%        |
| Raffles  | 1,812,000              | 1,697,000              | + 6.8%        |
| Paddlewheels                                     | 2,769,000              | 2,795,000              | - 0.9%        |
| Tipboards  | 1,277,000              | 1,123,000              | + 13.7%       |
| Pull-Tabs  | 244,610,000            | 236,571,000            | + 3.4%        |
| Interest Income                                  | 665,000                | 721,000                | - 7.8%        |
| <b>Total Net Receipts</b>                        | <b>\$ 268,447,000</b>  | <b>\$ 261,628,000</b>  | <b>+ 2.6%</b> |
| <b>Allowable Expenses</b>                        | <b>\$ 127,376,000</b>  | <b>\$ 123,452,000</b>  | <b>+ 3.2%</b> |
| <b>Net Profit - Lawful Purpose Expenditures</b>  | <b>\$ 141,071,000</b>  | <b>\$ 138,176,000</b>  | <b>+ 2.1%</b> |

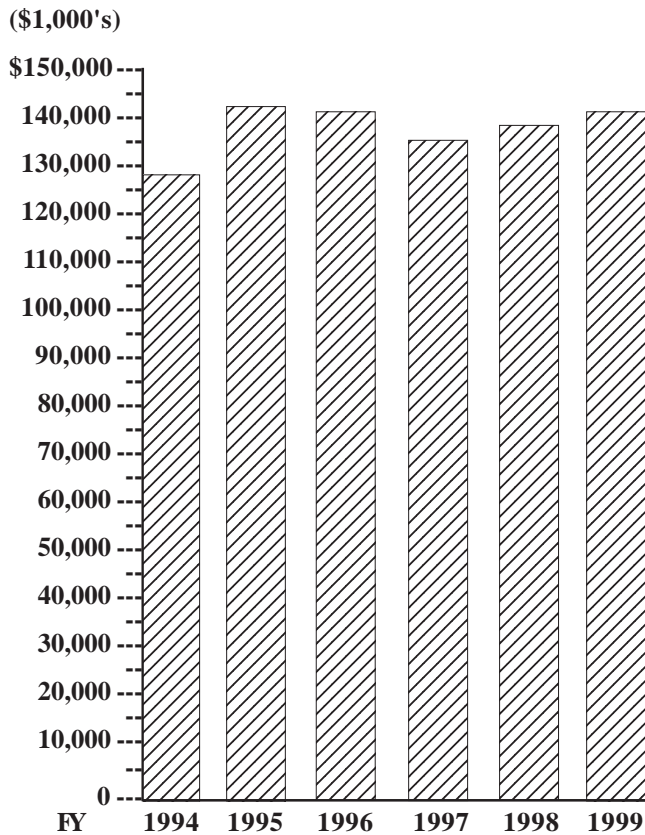
## Lawful Purpose Expenditures

|                               | FY 1999              | FY 1998              | % Change      |
|-------------------------------|----------------------|----------------------|---------------|
| • Charitable Contributions    | \$ 78,450,000        | \$ 75,128,000        | + 4.4%        |
| • State Taxes Paid            | 62,621,000           | 63,048,000           | - 0.7%        |
| 1.9% Gross Receipts State Tax | 25,835,000           | 26,375,000           | - 2.0%        |
| 9.5% Net Receipts State Tax   | 2,211,000            | 2,435,000            | - 9.2%        |
| Combined Receipts State Tax   | 34,575,000           | 34,238,000           | + 1.0%        |
| <b>TOTALS</b>                 | <b>\$141,071,000</b> | <b>\$138,176,000</b> | <b>+ 2.1%</b> |



# Lawful Purpose Expenditures

This graph reflects all lawful purpose expenditures, including state taxes.

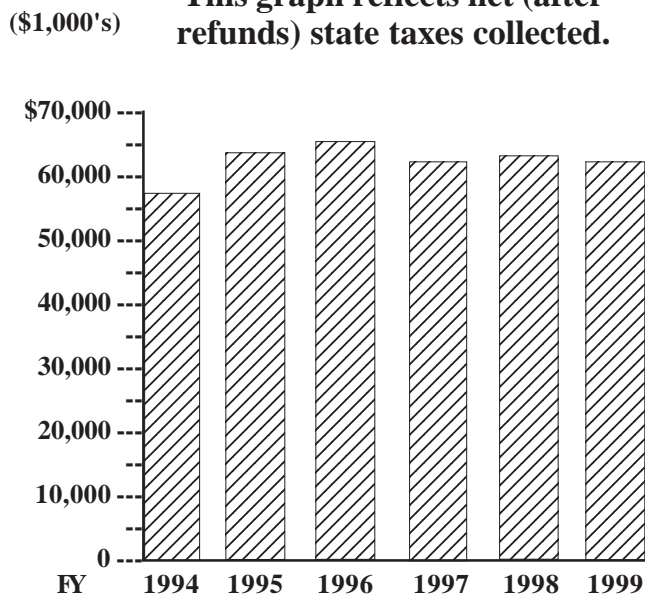


Contributions can be made for the following categories:

- donations to or by nonprofit organizations designated by the IRS as 501(c)(3) organizations or as 501(c)(4) festival organizations;
- relieving effects of poverty, homelessness, physical or mental disabilities;
- treatment for compulsive gambling or posttraumatic stress syndrome;
- private or public nonprofit educational institutions;
- scholarship funds;
- programs recognizing humanitarian or military service;
- youth activities;
- state, local, and federal gambling taxes;
- real estate taxes within defined limits;
- programs and projects by the United States, this state, or local units of government;
- religious purposes;
- DNR-approved wildlife management projects;
- grooming and maintaining snowmobile trails approved by the DNR;
- congregate dining, nutritional programs, or food shelves for disabled or persons age 62 and older; and
- Board-approved repair and maintenance projects of organizations' buildings.

| Fiscal Year | Lawful Purpose Expenditures (including gambling taxes paid) |
|-------------|---|
| 1994        | \$128,225,000   |
| 1995        | 142,878,000   |
| 1996        | 141,427,000   |
| 1997        | 135,632,000   |
| 1998        | 138,176,000   |
| 1999        | 141,071,000   |

This graph reflects net (after refunds) state taxes collected.



**State Gambling Taxes:** The three taxes, included as lawful purpose expenditures, are:

- 1.9 percent of the gross receipts on pull-tab and tipboard games;
- 9.5 percent on the net receipts on bingo, raffles, and paddlewheels; and
- combined receipts taxes, a progressive tax that is calculated on the gross receipts from pull-tab games, tipboards, and interest.

| Fiscal Year | State Taxes <sup>1</sup> | Refunded <sup>2</sup> |
|-------------|--------------------------|-----------------------|
| 1994        | \$57,487,000             | n/a                   |
| 1995        | 64,773,000               | n/a                   |
| 1996        | 65,849,000               | n/a                   |
| 1997        | 62,017,000               | \$2,700,000           |
| 1998        | 63,048,000               | 5,780,000             |
| 1999        | 62,621,000               | 6,088,000             |

<sup>1</sup> State taxes after refunds for unsold tickets.

<sup>2</sup> Refund on unsold pull-tab and tipboard tickets, effective 7/1/96.

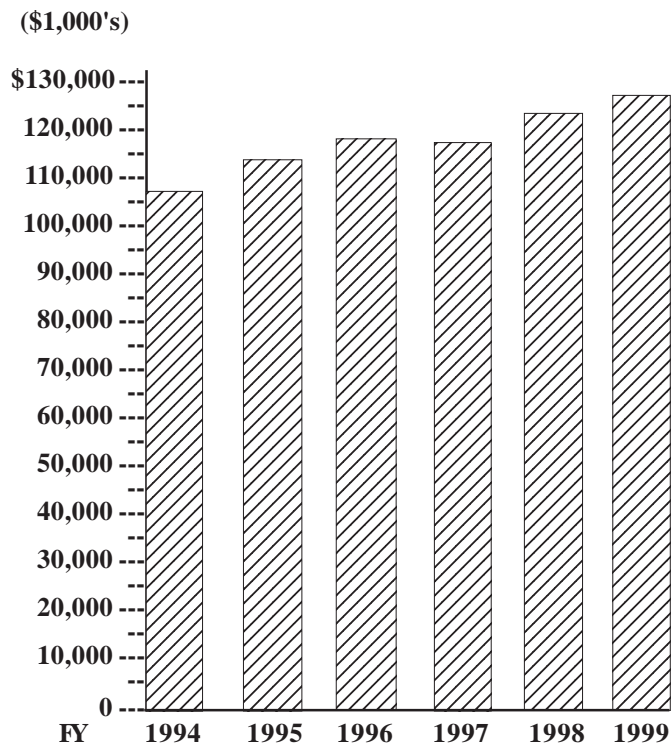
# Allowable Expenses

An allowable expense is an expense or a proportion of an expense directly related to the conduct of lawful gambling. Examples of allowable expenses include gambling equipment, trash removal, office space, storage, rent, compensation, utilities, and accounting costs.

Organizations are allowed to spend up to 55 percent of net receipts (59.15 percent of bingo net receipts) toward these types of operating costs.

| Fiscal Year | Allowable Expenses |
|-------------|--------------------|
| 1994        | \$107,487,000      |
| 1995        | 114,451,000        |
| 1996        | 118,977,000        |
| 1997        | 118,814,000        |
| 1998        | 123,452,000        |
| 1999        | 127,376,000        |

This graph reflects all allowable expenses, including cash shortages.

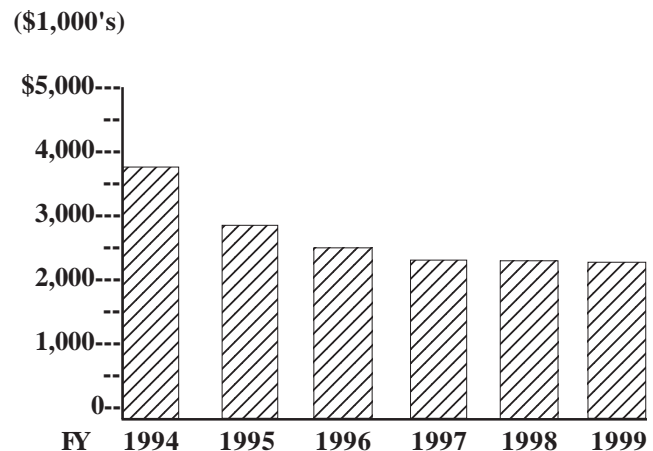


**Shortages:** Shortages are considered an allowable expense up to a certain amount. A shortage is the difference between the amount of reported net receipts and the amount deposited into the gambling account.

Effective August 1, 1995, organizations may not exceed a three-tenths of one percent (.3%) shortage level of gross receipts (sales). During fiscal year 1999 the average shortage level for gross receipts was .16 percent.

| Fiscal Year | Shortages <sup>1</sup> | Reimbursed by Organization <sup>2</sup> |
|-------------|------------------------|---|
| 1994        | \$3,848,000            | n/a                                     |
| 1995        | 2,822,000              | n/a                                     |
| 1996        | 2,528,000              | \$459,000                               |
| 1997        | 2,341,000              | 418,000                                 |
| 1998        | 2,338,000              | 461,000                                 |
| 1999        | 2,311,000              | 387,000                                 |

This graph reflects cash shortages before reimbursements.



<sup>1</sup> Cash shortages before reimbursement.

<sup>2</sup> Amount reimbursed to gambling accounts.

# Exempt Activity

## Exempt Permits for Lawful Gambling

Nonprofit organizations may apply for an exempt permit to conduct lawful gambling for five or fewer days during a calendar year.

The organization must submit an application with a resolution from the local unit of government approving the application.

A \$25 fee is required for each permit application.

The organization may not award more than \$50,000 in market value of prizes for lawful gambling in a calendar year.

Cash prizes for all raffles conducted may not exceed \$12,000.

Organizations must submit a limited financial report to the Board within 30 days after the activity is conducted.

In fiscal year 1999, 1,682 organizations applied for 2,317 exempt permits.

The figures below show the activity and profits for organizations conducting exempt activities.

July 1, 1998 - June 30, 1999

| Activity      | Gross Receipts      | Expenses <sup>1</sup> | Profit               |
|---------------|---------------------|-----------------------|----------------------|
| Bingo         | \$ 699,557          | \$ 310,918            | \$ 388,639           |
| Raffles       | 17,874,138          | 7,506,303             | 10,367,835           |
| Paddlewheels  | 118,134             | 39,510                | 78,624               |
| Tipboards     | 57,609              | 33,079                | 24,530               |
| Pull-Tabs     | <u>1,219,924</u>    | <u>856,565</u>        | <u>363,359</u>       |
| <b>TOTALS</b> | <b>\$19,969,362</b> | <b>\$ 8,746,375</b>   | <b>\$ 11,222,987</b> |

## Prizes (market value, including prizes donated to organizations)

| Activity     | Prize Amount        |
|--------------|---------------------|
| Bingo        | \$ 326,037          |
| Raffles      | 8,800,615           |
| Paddlewheels | 76,881              |
| Tipboards    | 30,459              |
| Pull-Tabs    | <u>888,996</u>      |
| <b>TOTAL</b> | <b>\$10,122,988</b> |

<sup>1</sup> Total expenses incurred by organizations, including the cost of prizes for the activities.

# Excluded Activity

## Excluded Raffle Activity

Excluded raffle activity is limited to:

- Raffle(s) with a total cumulative market value of prizes not exceeding \$750 in a calendar year.

|           |      |   |                          |               |
|-----------|------|---|--------------------------|---------------|
|           |      | <b>May Day Raffle</b>                               |                          | <b>\$1.00</b> |
| Name      |      | 1st Prize - \$500 Cash                              |                          |               |
| Address   |      | 2nd Prize - 13-Inch Color TV                        |                          |               |
| City      |      | 3rd Prize - 12-Speed Bike                           |                          |               |
| State/Zip |      | Aquatore Park - 91st and Central Ave.<br>Blaine, MN |                          |               |
| Phone #   | 0001 | Sponsored by the<br>Blaine Community Club           | May 1, 1999<br>1:00 p.m. | 0001          |

## Excluded Authorizations for Bingo or Raffle Activity

Nonprofit organizations may apply for an authorization to conduct excluded raffle or bingo activities.

The organization must submit an application.

No application fee or financial reporting is required.

In fiscal year 1999, 989 activities were conducted by nonprofit organizations.

## Excluded Bingo Activity

Excluded bingo activity is limited to:

- Four or fewer days of bingo per calendar year, or
- Up to 12 consecutive days of bingo in conjunction with a county fair, state fair, or civic celebration.

The local unit of government must approve the activity by signing the application.

|                       |    |                     |    |    |
|-----------------------|----|---------------------|----|----|
| <b>BINGO</b><br>28253 |    |                     |    |    |
| 12                    | 27 | 32                  | 46 | 73 |
| 9                     | 18 | 44                  | 57 | 62 |
| 3                     | 21 | <b>FREE</b><br>3766 | 49 | 66 |
| 6                     | 16 | 41                  | 48 | 71 |
| 11                    | 29 | 38                  | 50 | 68 |

# Top Ten Licensed Organizations - by Gross Receipts

July 1, 1998 - June 30, 1999

## Bingo, Paddlewheels, Pull-Tabs, Raffles, Tipboards

| Organization                                 | Number of Sites <sup>1</sup> | Gross Receipts      | Net Receipts        | Taxes Paid         |
|--|------------------------------|---------------------|---------------------|--------------------|
| Multiple Sclerosis Society, Minneapolis      | 129                          | \$ 25,624,418       | \$ 6,361,653        | \$ 1,862,578       |
| Climb, Inc., Inver Grove Heights             | 25                           | 12,957,271          | 2,745,046           | 870,077            |
| Spring Lake Park Lions Club                  | 4                            | 11,205,423          | 1,854,212           | 563,231            |
| Hopkins Jaycees                              | 5                            | 7,482,093           | 1,248,152           | 454,173            |
| Church of St. Bernard, St. Paul              | 6                            | 6,585,804           | 1,391,702           | 459,218            |
| Hennepin County Humane Society, Minneapolis  | 4                            | 5,915,790           | 1,063,667           | 424,880            |
| Apple Valley American Legion Post 1776       | 1                            | 5,910,325           | 989,385             | 429,840            |
| Big Lake Lions Club                          | 4                            | 5,887,817           | 917,072             | 425,598            |
| Community Charities of Minnesota, Mankato    | 34                           | 5,813,511           | 1,499,203           | 424,923            |
| American Red Cross Arrowhead Chapter, Duluth | 20                           | 5,684,691           | 719,569             | 410,701            |
| <b>TOTALS</b>                                |                              | <b>\$93,067,143</b> | <b>\$18,789,661</b> | <b>\$6,325,219</b> |

<sup>1</sup>Number of sites = total number of sites where gambling was conducted during the fiscal year.

## Bingo Only

| Organization  | Bingo Gross Receipts | Bingo Prizes Paid   | Bingo Net Receipts  |
|---|----------------------|---------------------|---------------------|
| Little Canada Charity Plus, Inc.                          | \$ 1,875,072         | \$ 1,363,959        | \$ 511,113          |
| Northwestern Chiropractic College, Bloomington            | 1,500,459            | 1,073,407           | 427,052             |
| Climb, Inc., Inver Grove Heights                          | 1,437,210            | 1,173,574           | 263,636             |
| Midway Lions Club Foundation, St. Paul                    | 1,378,157            | 1,107,906           | 270,251             |
| Church of St. Mary Romanian Orthodox, St. Paul            | 1,370,980            | 985,448             | 385,532             |
| Childrens Program of Northern Ireland, St. Paul           | 1,355,515            | 1,090,954           | 264,561             |
| Bloomington Crime Prevention Association                  | 1,347,180            | 954,186             | 392,994             |
| Lourdes Foundation, Inc., Rochester                       | 1,270,325            | 901,843             | 368,482             |
| Midway Speedskating Club, Roseville                       | 1,243,476            | 878,015             | 365,461             |
| Church of St. Mary Romanian Orthodox, Auxiliary, St. Paul | 1,171,183            | 830,017             | 341,166             |
| <b>TOTALS</b>   | <b>\$13,949,557</b>  | <b>\$10,359,309</b> | <b>\$ 3,590,248</b> |

# Types of Licensed Organizations

---

The Gambling Control Board licenses four categories of nonprofit organizations:

| Type                          | Number <sup>1</sup> | Percent     |
|-------------------------------|---------------------|-------------|
| <b>FRATERNAL</b>              |                     |             |
| Lions Clubs                   | 197                 | 13.0        |
| Eagles and Auxiliary          | 43                  | 2.8         |
| Knights of Columbus           | 28                  | 1.8         |
| Moose Lodges                  | 27                  | 1.8         |
| Elks Clubs                    | <u>21</u>           | <u>1.4</u>  |
| <i>Subtotal:</i>              | 316                 | 20.8%       |
| <b>VETERANS</b>               |                     |             |
| American Legion and Auxiliary | 266                 | 17.5        |
| VFW and Auxiliary             | <u>141</u>          | <u>9.3</u>  |
| <i>Subtotal:</i>              | 407                 | 26.8%       |
| <b>RELIGIOUS</b>              |                     |             |
| Church/Cathedral              | <u>30</u>           | <u>2.0</u>  |
| <i>Subtotal:</i>              | 30                  | 2.0%        |
| <b>OTHER NONPROFIT</b>        |                     |             |
| Fire Relief                   | 196                 | 12.9        |
| Hockey Club/Blue Line         | 97                  | 6.4         |
| Business/Chamber/Development  | 22                  | 1.4         |
| Jaycees                       | 40                  | 2.6         |
| Sportsman/Rod & Gun           | 28                  | 1.8         |
| Snowmobile                    | 30                  | 2.0         |
| Community                     | 22                  | 1.4         |
| Baseball                      | 25                  | 1.6         |
| Athletic                      | 21                  | 1.4         |
| Other <sup>2</sup>            | <u>287</u>          | <u>18.9</u> |
| <i>Subtotal:</i>              | 768                 | 50.4%       |
| <b>TOTAL</b>                  | 1,521               | 100.0 %     |

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<sup>1</sup> These figures are as of 6/30/99.

<sup>2</sup> "Other" are one-of-a-kind nonprofit organizations.

# Legislative and Rule Changes

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## Reduction in Lawful Gambling Taxes

On July 1, 1999, the following tax reductions became effective:

- the tax on the gross receipts of each pull-tab and tipboard deal purchased from a distributor was reduced from 1.9% to 1.8%;
- the net receipts tax on bingo, paddlewheels, and raffles was reduced from 9.5% to 9.0% (the net receipts tax on interest income was eliminated); and
- the combined receipts tax on the gross receipts from pull-tabs, tipboards, and interest was reduced by 5.26%.



The following legislative changes were made in 1999.

## Progressive Bingo Games - Prize Limit Raised

The maximum consolation prize awarded in each occasion during which a progressive bingo game is played and the accumulated prize is not won was increased from \$100 to \$200.

## Raffle Tickets - Printed Information Clarified

This legislative change requires raffle tickets at a minimum to list the three most expensive prizes to be awarded. If additional prizes will be awarded that are not contained on the raffle ticket, the raffle ticket must contain the statement, "A complete list of additional prizes is available upon request."

## Pull-Tab Dispensing Devices - Locations Allowed

Pull-tab dispensing devices may now be used in establishments licensed for the off-sale of intoxicating liquor, other than drugstores and general food stores licensed under section 340A.405, subdivision 1.

## Exempt or Excluded Raffles - Ticket Requirements Defined

Raffles conducted by nonprofit organizations that have an exempt permit or excluded authorization may use tickets that contain only the sequential number of the raffle ticket and no other information if:

1. the organization makes a list of prizes and a statement of other relevant information required by rule available to persons purchasing tickets, and
2. tickets are only sold at the event and on the date when the tickets are drawn.

## Nursing Home or Senior Citizen Bingo - Registration Eliminated

Bingo may be conducted with a nursing home or a senior citizen housing project or by a senior citizen organization if:

- the prizes for a single bingo game do not exceed \$10,
- total prizes awarded at a single bingo occasion do not exceed \$200,
- no more than two bingo occasions are held by the organization or at the facility each week,
- only members of the organization or residents of the nursing home or housing project are allowed to play in a bingo game,
- no compensation is paid for any persons who conduct the bingo, and
- a manager is appointed to supervise the bingo.

Effective May 6, 1999, bingo conducted under this paragraph is exempt from sections 349.11 to 349.23, and the Gambling Control Board may not require an organization that conducts bingo under this paragraph, or the manager who supervises the bingo, to register or file a report with the Board.

### Dice - Certain Games Allowed

Although dice are not a form of lawful gambling regulated by the Gambling Control Board, legislative changes were made to allow certain dice games to be played—with some restrictions. Social dice games are permitted on the premises and adjoining rooms of retail establishments licensed to sell alcoholic beverages; however, local units of government may enact regulations relating to the use of dice in their respective communities.

- Games allowed: The only games allowed (with restrictions noted below) are board games played with dice, and dice games commonly known as shake-a-day, 3-2-1, who buys, last chance, liar's poker, 6-5-4, horse, and aces.
- Restrictions: Wagers or prizes for the games listed above are limited to food or beverages, and the retail establishment does not organize or participate financially in the games.

All other forms of dice games are illegal and are not allowed in establishments licensed to sell alcoholic beverages.

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### Rules - Public Advisory Committees Continue

The Board continues to clarify rules through the use of Public Advisory Committees (PACs), which include representatives of the lawful gambling industry who meet to amend existing rules to benefit the industry and maintain the integrity of lawful gambling.

New rules relating to bingo, pull-tabs, raffles, lawful purpose, inventory records, merchandise certificates, and identification (ID) cards became effective on October 25, 1998. These rule changes were discussed in detail in the Fiscal Year 1998 Annual Report.

During fiscal year 1999, a PAC met a series of times on proposed changes to the rules governing the manufacturing standards and approval process for pull-tabs and jar tickets. On July 19, 1999, the Board authorized the beginning of official rulemaking for the proposed changes pursuant to the Minnesota administrative procedure act. The rulemaking process was still ongoing at the time this annual report was issued.





# Education and Outreach - Newly Developed Web Site

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The Board developed a Web site, providing a whole new avenue of reaching and educating clientele with the most current information on lawful gambling.

Organizations, gambling managers, and other interested persons may access the Web site at the following address:

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

The Web site was designed to provide quick, independent access to important lawful gambling information--from licensing requirements, to statistics about gambling, to the most current forms an organization may need. For example, contents of the Web site include:

## **Continuing Education and Seminars**

Current schedules for continuing education classes and gambling manager seminars are available at a glance.

## **Mentoring**

Organizations in need of one-on-one training may access the Request for Mentoring form, including instructions on the steps to take to receive mentoring.

## **Lawful Gambling Manual**

The entire *Lawful Gambling Manual*--one of the Board's most important educational tools--is available from Minnesota's Bookstore. However, the first three chapters dealing with licensing requirements are contained in their entirety on the Web site.

## **Annual Reports**

The Board's annual reports for the past five years are available.

## **Licensee Lists**

A list of currently licensed manufacturers, distributors, and bingo halls is available, complete with license and phone numbers. Users of the Board's Web site can directly link to Minnesota's Bookstore for information on how to obtain a list of currently licensed organizations.

## **Local Units of Government**

Cities and counties may access this section of the Web site to learn more about their statutory authority to adopt more stringent lawful gambling regulations, charge investigation fees, or impose local gambling taxes. City and county reporting forms are also available.

## **Other Links**

The Web site allows access to specific lawful gambling statutes and rules. Links to the Secretary of State's Office, Department of Revenue, Alcohol and Gambling Enforcement Division of Public Safety, and other state agencies are also available.

# Education and Outreach - Ongoing Programs

## Gambling Manager Seminars

Staff conducted 12 gambling manager seminars during the fiscal year. 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 responsibilities of organizations conducting lawful gambling.

The seminar is designed for chief executive officers of organizations new to the conduct of lawful gambling and gambling managers who are responsible for the conduct of lawful gambling for their organizations.

## Gambling Manager Examinations

Gambling managers are required to pass an examination testing their general knowledge of gambling statutes and rules.

Examinations were administered 12 times during fiscal year 1999.

## Lawful Gambling Manual

The *Lawful Gambling Manual*, first published in 1997, was updated in 1999.

This manual is a handy reference guide for either new or experienced CEO's, gambling managers, and organizations.

## Mentoring Program

During fiscal year 1999, the staff assisted 114 licensed organizations through its mentoring program.

The 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.

## Speaking Engagements

Board staff fulfilled 29 speaking engagement requests, including regional and statewide conferences and conventions (such as VFW, American Legion, Lions, Elks, etc.). Attending these meetings allows the staff to reach a large number of people and provide pertinent lawful gambling information.

## Gaming News

The Board published and distributed the monthly *Gaming News* newsletter to all licensees in the lawful gambling industry for 15 years of uninterrupted service.

The newsletter is an essential communication between the Board and the industry, and provides important information from compliance, licensing, and administrative staff. *Gaming News* includes information on legislative and rule changes, scheduled seminars, 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.

## Continuing Education Classes

Board staff conducted 69 continuing education classes during fiscal year 1999.

Monthly continuing education classes are conducted to update organizations on a variety of topics.



These classes are conducted free of charge at various locations throughout the state.

Gambling managers are required to attend one class during each year of their two-year license period. Members and employees of the organizations are invited as well. Classes are open to the general public.

Continuing education class topics included:

- allowable expense and lawful purpose expenditures
- bingo forms and conduct
- Board requests
- common problems found in compliance reviews and site inspections
- internal controls and the CEO
- new rules and legislation
- pull-tab dispensing devices
- pull-tab sellers and the conduct of pull-tabs

# Licensing Requirements

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## Licensing Eligibility Determined

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Applications are reviewed by licensing staff to determine if an organization is eligible to be licensed to conduct lawful gambling. The basic statutory requirements include:

- The organization must have been in existence as a nonprofit organization for the past three years.
- The organization must have at least 15 active members over the age of 18.
- The organization must not exist solely for the purpose of conducting gambling.

## Premises Permit

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Each licensed organization may conduct lawful gambling at sites for which the organization applies and receives a premises permit from the Gambling Control Board. There is no limit on the number of sites where an organization may conduct lawful gambling.

## Gambling Manager

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Each organization must have a licensed gambling manager who has been an active member of the



organization for at least two years. The gambling manager must meet certain educational requirements, including:

- attending a gambling manager seminar conducted by Board staff,
- passing an examination testing knowledge of gambling requirements, and
- attending continuing education classes during each year of the gambling manager's license.

## Employee Registration

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Identification cards are issued by the Board to all of an organization's compensated employees who participate in the conduct of lawful gambling.

## Ongoing Licensing Compliance

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All licensed organizations are required to report to the Board within ten days any changes in the information contained in their license and permit applications. This requirement includes reporting changes in:

- officers
- bank account information
- internal controls
- compensation
- leases
- employees

Organizations are required to be in compliance with statutorily required expense limitations:

- for lawful gambling activity (not including bingo), gross profits spent on expenses may not exceed 55 percent; and
- for bingo operations, gross profits spent on expenses may not exceed 65 percent, less the bingo tax.

All licensed organizations must report allowable expense calculations to the Board if expenses exceed the statutory limit:

- on the organization's licensing anniversary date (12 months after the effective date); and
- at the time of applying for a two-year license renewal.

An organization that is out of compliance must either reimburse its gambling account with non-gambling funds or cease operations until the reimbursement is completed.

# Compliance Review Process

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## Compliance Review Process

A compliance review is a comprehensive examination of an organization's records and activity relating to lawful gambling. The staff reviews gambling account expenditures, check registers, bank records, meeting minutes, and other supporting documentation. Also examined are tax records, internal controls, inventory records, and other documentation supporting how an organization manages its gambling operation.

After the review is conducted, a report is sent to the organization listing any technical violations found in the review and the corrective action to be taken by the organization to resolve the violations.

## Post Compliance Reviews

If required, compliance staff performs follow-up reviews to ensure that the organizations have taken the necessary corrective action, and continues to work with each organization until all items are satisfactorily resolved.

If corrective action has not been implemented by the time of the post compliance review, an organization may be issued a citation or be referred to the Board's Compliance Review Group.

## Compliance Review Group

The Compliance Review Group (CRG) is the three-member disciplinary committee of the Board appointed by the chair. The CRG meets with licensees to conduct informal inquiries into alleged violations of lawful gambling statutes and rules.



The CRG then proposes a settlement in the form of a consent order containing sanctions for violations that are determined to have occurred. Sanctions range from imposing fines and requiring corrective action--including requiring reimbursement to the lawful gambling bank account--to suspension and/or revocation of a license.

If the organization does not accept the CRG's proposed consent order, a contested case may be filed with the Office of Administrative Hearings. After a hearing is conducted, an administrative law judge forwards a recommendation to the Gambling Control Board for acceptance, modification, or rejection. The Board then issues a Board Order.

## Product Approval

The Gambling Control Board considers games and equipment for sale and use in Minnesota. During fiscal year 1999, the Board approved for sale in Minnesota 1,655 new pull-tab games and one bingo ball selection device.

## Cease and Desist Orders

Cease and desist orders are legal orders that require a licensed organization to cease and desist violating statute, rule, or Board order. During fiscal year 1999, one cease and desist order was issued to an organization.

## Citations

The Board has authorized the Executive Director to issue citations to licensees of the Board. Citations are generally issued for a single issue violation of statute or rule that is not severe enough to merit action by the CRG.

During the fiscal year 74 citations were issued.

# Lawful Gambling Activity by County

July 1, 1998 - June 30, 1999

| COUNTY            | GROSS RECEIPTS | GR % CHANGE SINCE 1998 <sup>1</sup> | NET RECEIPTS | NR % CHANGE SINCE 1998 <sup>2</sup> |
|-------------------|----------------|-------------------------------------|--------------|-------------------------------------|
| Aitkin            | \$ 12,916,000  | + 9.4 %                             | \$ 2,361,000 | + 9.6 %                             |
| Anoka             | 98,736,000     | + 4.4                               | 18,542,000   | + 5.6                               |
| Becker            | 13,884,000     | - 4.5                               | 2,426,000    | - 3.9                               |
| Beltrami          | 10,054,000     | - 17.9                              | 1,688,000    | - 14.7                              |
| Benton            | 10,121,000     | + 12.5                              | 1,991,000    | + 11.4                              |
| Big Stone         | 963,000        | + 14.0                              | 175,000      | + 11.5                              |
| Blue Earth        | 18,875,000     | + 1.4                               | 3,929,000    | - 2.0                               |
| Brown             | 7,156,000      | - 7.9                               | 1,250,000    | - 8.4                               |
| Carlton           | 10,507,000     | - 4.7                               | 1,775,000    | - 5.5                               |
| Carver            | 13,338,000     | + 4.1                               | 2,426,000    | + 6.8                               |
| Cass              | 12,820,000     | + 5.7                               | 2,296,000    | + 4.5                               |
| Chippewa          | 5,255,000      | + 1.6                               | 830,000      | - 1.5                               |
| Chisago           | 11,127,000     | - 6.7                               | 1,964,000    | - 3.9                               |
| Clay              | 12,707,000     | - 3.8                               | 2,391,000    | - 0.5                               |
| Clearwater        | 3,489,000      | - 11.3                              | 624,000      | - 8.5                               |
| Cook              | 34,000         | - 50.7                              | 9,000        | - 50.0                              |
| Cottonwood        | 2,562,000      | + 5.5                               | 435,000      | + 3.8                               |
| Crow Wing         | 34,300,000     | + 4.8                               | 6,204,000    | + 5.0                               |
| Dakota            | 66,791,000     | + 10.5                              | 12,472,000   | + 9.1                               |
| Dodge             | 3,783,000      | + 26.6                              | 728,000      | + 26.8                              |
| Douglas           | 17,391,000     | + 3.3                               | 2,881,000    | + 2.2                               |
| Faribault         | 5,273,000      | + 4.4                               | 974,000      | + 2.0                               |
| Fillmore          | 6,302,000      | + 17.0                              | 1,236,000    | + 17.7                              |
| Freeborn          | 14,504,000     | + 3.2                               | 2,808,000    | + 2.4                               |
| Goodhue           | 10,903,000     | - 8.8                               | 1,666,000    | - 12.6                              |
| Grant             | 4,411,000      | + 3.0                               | 635,000      | + 7.1                               |
| Hennepin          | 203,655,000    | + 1.3                               | 38,930,000   | - 0.2                               |
| Houston           | 7,640,000      | - 6.1                               | 1,575,000    | - 7.6                               |
| Hubbard           | 11,993,000     | + 5.9                               | 1,679,000    | + 5.9                               |
| Isanti            | 8,699,000      | + 6.2                               | 1,489,000    | + 6.4                               |
| Itasca            | 23,017,000     | + 1.4                               | 4,203,000    | + 0.3                               |
| Jackson           | 1,410,000      | - 1.7                               | 272,000      | + 1.9                               |
| Kanabec           | 4,906,000      | + 18.3                              | 940,000      | + 20.2                              |
| Kandiyohi         | 9,365,000      | - 2.1                               | 1,642,000    | - 3.6                               |
| Kittson           | 2,442,000      | - 3.2                               | 365,000      | - 3.9                               |
| Koochiching       | 6,528,000      | - 4.0                               | 1,183,000    | - 4.8                               |
| Lac Qui Parle     | 1,968,000      | + 7.6                               | 329,000      | + 5.1                               |
| Lake              | 3,874,000      | - 6.2                               | 698,000      | + 3.6                               |
| Lake of the Woods | 5,474,000      | + 6.4                               | 857,000      | + 1.8                               |
| Le Sueur          | 10,483,000     | + 0.3                               | 1,917,000    | + 0.1                               |
| Lincoln           | 1,213,000      | - 4.3                               | 246,000      | - 5.4                               |
| Lyon              | 3,617,000      | - 1.1                               | 693,000      | + 1.2                               |
| Mahnomen          | 378,000        | + 119.8                             | 91,000       | + 102.2                             |
| Marshall          | 5,005,000      | - 0.5                               | 772,000      | + 2.3                               |
| Martin            | 6,520,000      | + 9.7                               | 1,316,000    | + 7.3                               |
| McLeod            | 14,007,000     | + 0.1                               | 2,382,000    | - 2.5                               |
| Meeker            | 6,766,000      | + 7.5                               | 1,330,000    | + 8.5                               |

# Lawful Gambling Activity by County

July 1, 1998 - June 30, 1999

| COUNTY          | GROSS RECEIPTS   | GR % CHANGE SINCE 1998 <sup>1</sup> | NET RECEIPTS   | NR % CHANGE SINCE 1998 <sup>2</sup> |
|-----------------|------------------|-------------------------------------|----------------|-------------------------------------|
| Mille Lacs      | \$ 15,517,000    | + 20.5 %                            | \$ 2,739,000   | + 19.7 %                            |
| Morrison        | 23,140,000       | + 5.6                               | 3,984,000      | + 6.3                               |
| Mower           | 16,711,000       | + 3.0                               | 3,368,000      | + 0.8                               |
| Murray          | 2,064,000        | + 0.7                               | 379,000        | - 2.3                               |
| Nicollet        | 6,625,000        | + 16.5                              | 1,301,000      | + 17.8                              |
| Nobles          | 3,517,000        | + 2.5                               | 682,000        | + 1.3                               |
| Norman          | 2,246,000        | - 2.2                               | 357,000        | - 7.3                               |
| Olmsted         | 23,121,000       | + 10.4                              | 4,812,000      | + 9.0                               |
| Otter Tail      | 22,106,000       | - 1.6                               | 3,908,000      | - 1.8                               |
| Pennington      | 6,514,000        | - 2.9                               | 1,125,000      | - 5.9                               |
| Pine            | 12,311,000       | + 2.8                               | 2,241,000      | + 4.6                               |
| Pipestone       | 489,000          | - 20.5                              | 106,000        | - 15.9                              |
| Polk            | 22,094,000       | + 6.4                               | 3,583,000      | + 3.5                               |
| Pope            | 6,411,000        | + 0.1                               | 1,164,000      | + 5.5                               |
| Ramsey          | 155,962,000      | + 4.4                               | 31,886,000     | + 3.5                               |
| Red Lake        | 2,220,000        | - 4.8                               | 341,000        | - 5.3                               |
| Redwood         | 2,294,000        | + 16.1                              | 417,000        | + 15.2                              |
| Renville        | 4,474,000        | - 2.6                               | 758,000        | - 2.3                               |
| Rice            | 16,992,000       | + 7.4                               | 3,388,000      | + 7.2                               |
| Rock            | 1,528,000        | + 6.9                               | 282,000        | + 6.0                               |
| Roseau          | 5,092,000        | - 0.4                               | 858,000        | 0.0                                 |
| Scott           | 24,741,000       | + 6.4                               | 4,458,000      | + 6.9                               |
| Sherburne       | 28,262,000       | + 7.2                               | 4,732,000      | + 9.4                               |
| Sibley          | 5,418,000        | + 19.0                              | 914,000        | + 16.3                              |
| St. Louis       | 78,420,000       | - 2.7                               | 12,745,000     | - 3.5                               |
| Stearns         | 56,028,000       | + 7.1                               | 11,072,000     | + 6.0                               |
| Steele          | 9,883,000        | + 2.7                               | 1,765,000      | + 2.4                               |
| Stevens         | 2,757,000        | + 18.1                              | 473,000        | + 17.1                              |
| Swift           | 4,216,000        | - 8.4                               | 745,000        | - 9.4                               |
| Todd            | 12,512,000       | + 11.4                              | 2,165,000      | + 11.4                              |
| Traverse        | 871,000          | - 9.9                               | 165,000        | - 8.8                               |
| Wabasha         | 10,895,000       | - 5.4                               | 2,004,000      | - 3.3                               |
| Wadena          | 6,053,000        | - 1.9                               | 1,049,000      | - 0.1                               |
| Waseca          | 7,427,000        | - 9.0                               | 1,286,000      | - 7.3                               |
| Washington      | 45,920,000       | + 1.2                               | 8,985,000      | + 1.2                               |
| Watsonwan       | 2,533,000        | - 13.0                              | 461,000        | - 14.2                              |
| Wilkin          | 1,521,000        | + 26.8                              | 269,000        | + 24.5                              |
| Winona          | 16,361,000       | + 10.7                              | 3,484,000      | + 7.6                               |
| Wright          | 33,866,000       | + 4.1                               | 5,868,000      | + 2.7                               |
| Yellow Medicine | 2,287,000        | - 6.7                               | 387,000        | - 7.0                               |
| TOTALS          | \$ 1,448,561,000 |                                     | \$ 268,331,000 |                                     |

<sup>1</sup> GR % Change Since 1998 means the percent change in gross receipts from fiscal year 1998.

<sup>2</sup> NR % Change Since 1998 means the percent change in net receipts from fiscal year 1998.

**Note:** Variances in totals compared to yearly activity are attributed to reports being generated at different times and rounding of figures.