



Minnesota Gambling Control Board

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Annual Report of the Minnesota Gambling Control Board

**Fiscal Year
2006**

July 1, 2005 - June 30, 2006



Message from the Board Chair and Executive Director

January 16, 2007

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, 2005, through June 30, 2006. 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.

Members	City	Appointed by	Term
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	Mendota Heights	Attorney General	7/03 to 6/07
Gerald Dexter	White Bear Lake	Governor	8/02 to 6/06
Shirleen Hoffman	Delano	Governor	8/04 to 6/06
William Goede	Plainview	Governor	8/04 to 6/08
Tamara Garcia	Eden Prairie	Governor	8/04 to 6/08

Executive Director

Tom Barrett

Board Counsel

Darren DeJong, Assistant Attorney General

FY 2006 expenditures: \$2,651,000
Board staff: 34 (FTE 32)

Statement of Cash Receipts and Industry Overview

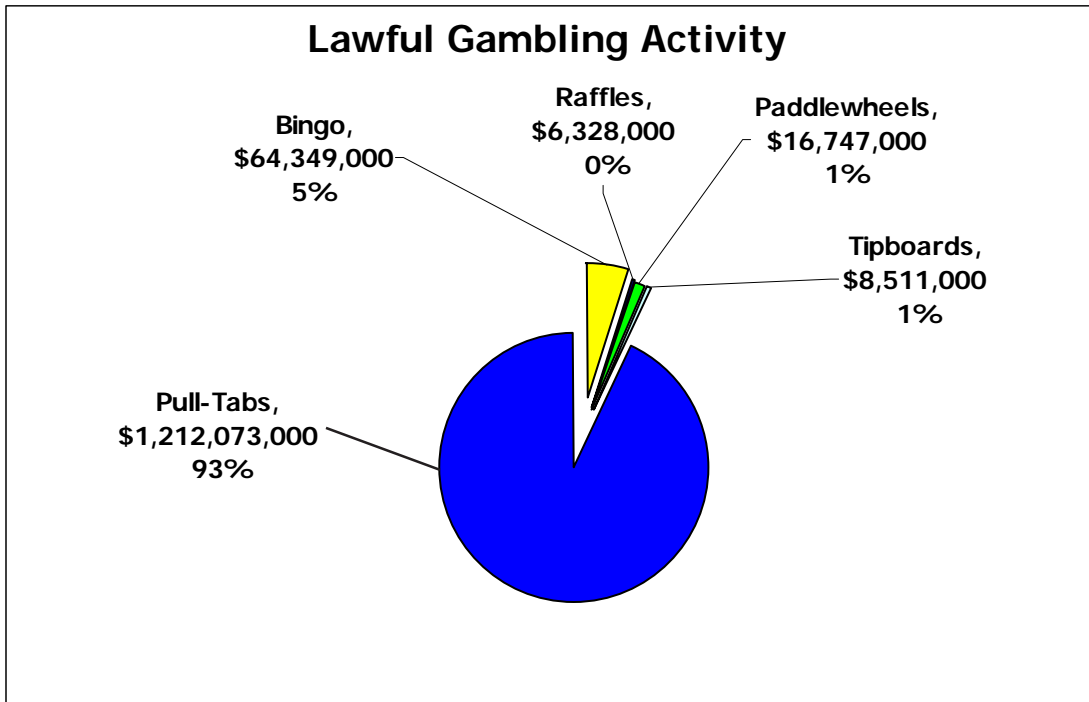
Cash Receipts		
	Fee	Total Collected
Manufacturer license	\$9,000	\$ 63,000
Game approval and testing (manufacturer)	\$25/\$100	166,925
Distributor license	6,000	78,000
Distributor salesperson license	100	24,300
Bingo hall license (repealed effective 8-1-05, refund issued)	4,000	-4,000
Linked bingo game provider license	5,000	0
Organization license	350	480,200
Gambling manager license	100	150,600
Premises permit	150	488,600
Regulatory fee (monthly fee of 0.1% of gross receipts from gambling conducted by licensed organizations at each site)		1,315,963
Excluded Permit (limited bingo)	none	0
Exempt Permit (up to 5 days of activity, total prizes valued at \$50,000 or less)	50	145,300
Total dedicated fees collected		2,908,888
<hr/>		
Civil penalties and fines	vary	97,250
State gambling taxes, after refunds (collected by Department of Revenue)		51,138,000
Total taxes, fees, and penalties collected		<u><u>\$54,144,138</u></u>
<p>With the exception of civil penalties, fines, and taxes, receipts are deposited into an account dedicated for lawful gambling regulation.</p>		

Industry Overview		
During fiscal year 2006, the Minnesota lawful gambling industry consisted of:		
<u>Licensees and Activities</u>	<u>Description</u>	
10 manufacturers	Sold product to licensed distributors. In FY06, 4,159 new games and product were approved for sale in Minnesota.	
14 distributors	Sold product to licensed lawful gambling organizations.	
198 distributor salespersons	Persons licensed to sell gambling equipment.	
2 linked bingo game provider	Provides links between licensed organizations for the conduct of bingo.	
1,419 nonprofit organizations	Nonprofit organizations licensed to conduct gambling at permitted premises.	
	<u>Type of Organization</u>	<u>Number</u> <u>Percent</u>
	FRATERNAL - Lions, Eagles & Auxiliary, Moose, Elks, Knights of Columbus	184 13.0%
	VETERANS - American Legion, VFW, & Auxiliaries	393 27.7%
	RELIGIOUS - Church/Cathedral	32 2.3%
	OTHER NONPROFIT - Fire relief, hockey, Jaycees, baseball, athletic, rod and gun, snowmobile, business/chamber/development, sportsman, community, other	810 57.0%
	TOTAL:	<u>1,419</u> <u>100%</u>
1,419 gambling managers	Gambling managers are members of licensed nonprofit organizations and are responsible for supervising the organizations' lawful gambling operations.	
3,356 charitable gambling sites	1,419 licensed nonprofit organizations were issued 3,356 premises permits.	
2,093 exempt organizations	Permitted organizations conduct limited gambling up to five days per calendar year. In fiscal year 2006, exempt organizations conducted 2,870 activities, with gross receipts of \$28,206,000.	
319 excluded organizations	Nonprofit organizations may apply for authorization to conduct excluded bingo activities. In fiscal year 2006, 551 excluded activities were conducted.	

Lawful Gambling Statistics

Fiscal Year Summary

ACTIVITY	Gross Receipts (sales)		Prizes Paid	Net Receipts (gross less prizes)		% Payout	
	FY 2006	% Change from FY05	FY 2006	FY 2006	% Change from FY05	FY06	FY05
Pull-tabs	1,212,073,000	-5.1	997,281,000	214,792,000	- 5.5	82.3	82.2
Bingo	64,349,000	-5.6	49,644,000	14,705,000	- 2.0	77.1	78.0
Paddlewheels	16,747,000	-3.3	12,937,000	3,810,000	- 4.9	77.2	76.9
Raffles	6,328,000	7.5	3,256,000	3,072,000	5.7	51.5	50.6
Tipboards	8,511,000	70.7	6,207,000	2,304,000	41.5	72.9	67.3
Interest Income	256,000	33.3	- 0 -	256,000	33.3		
TOTALS	\$1,308,264,000	-4.8	\$1,069,325,000	\$ 238,939,000	-4.8	81.7	81.7



Ten-Year Comparison (percent change from previous fiscal year)						
FY	Gross Receipts		Prizes Paid		Net Receipts	
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%
97	1,352,740,000	-1.3%	1,098,294,000	-1.0%	254,446,000	-2.3%

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



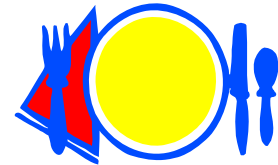
Scholarship funds, and private or public nonprofit educational institutions



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



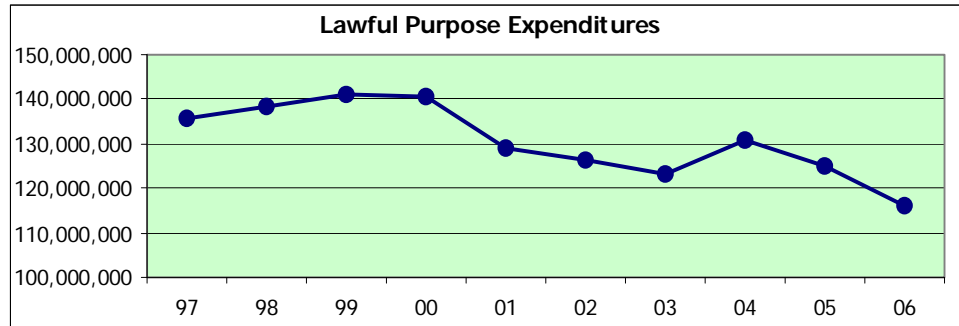
Other Lawful Purpose Expenditure Categories

- 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

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
97	\$135,632,000



	<u>FY 2006</u>	<u>FY 2005</u>	<u>% Change</u>
Charitable Contributions	\$ 64,873,000	\$ 70,686,000	-8.2
State Gambling Taxes Paid	51,138,000	54,288,000	-5.8
Gross Receipts State Tax	20,838,000	21,990,000	-5.2
Net Receipts State Tax	1,854,000	1,873,000	-1.0
Combined Receipts State Tax	28,446,000	30,425,000	-6.5
TOTALS	\$ 116,011,000	\$ 124,974,000	-7.2

State Gambling Taxes

	<u>Taxes Paid</u>	<u>Refund</u>	<u>Taxes After Refund</u>
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
97	64,717,000	2,700,000	62,017,000

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

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

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

Combined Receipts Taxes: 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 55 percent of net receipts toward these types of operating costs. A higher limit is authorized for the net receipts from bingo.

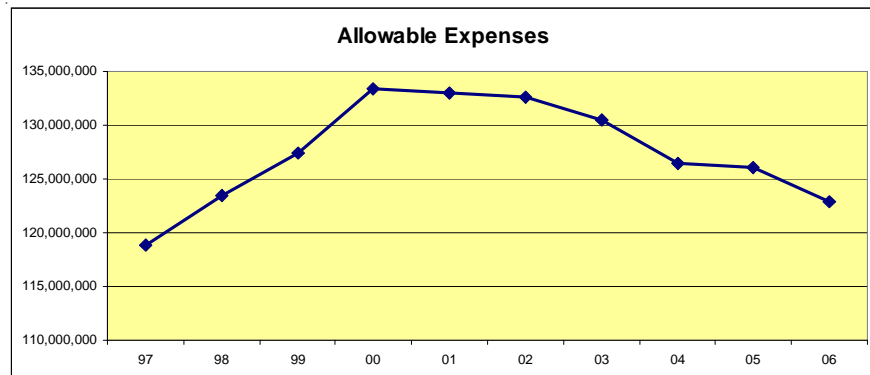
Allowable expenses as reported to the Department of Revenue included:

Operating Cost	FY06	FY05	% Change
Compensation and payroll taxes	\$60,705,000	\$61,587,000	- 1.4
Gambling equipment (pull-tabs, bingo paper, tipboards, paddletickets)	23,323,000	24,440,000	- 4.6
Rent	24,033,000	24,963,000	-3.7
Accounting and legal work	4,668,000	4,627,000	0.9
Office supplies and miscellaneous expenses	5,467,000	5,579,000	- 2.0
Gambling device purchase (paddlewheel & table, bingo selection device, pull-tab dispensing device), storage, and maintenance	2,434,000	2,351,000	3.5
Penalty and interest paid	66,000	48,000	37.5
Cash shortages (see next page)	1,611,000	1,699,000	-5.2
Utilities	828,000	878,000	-5.7
Bond, license, permits (Percent change due to two-year licensing cycle & 7/1/03 change for license/permit fees to lawful purpose)	343,000	444,000	-22.7
Advertising	525,000	574,000	-8.5
Theft and liability insurance	826,000	890,000	-7.2
Expenses were offset by reimbursements from a source of nongambling funds for the following:			
Excess cash shorts	(715,000)	(661,000)	8.2
Negative expense calculations	(1,186,000)	(1,393,000)	-14.9

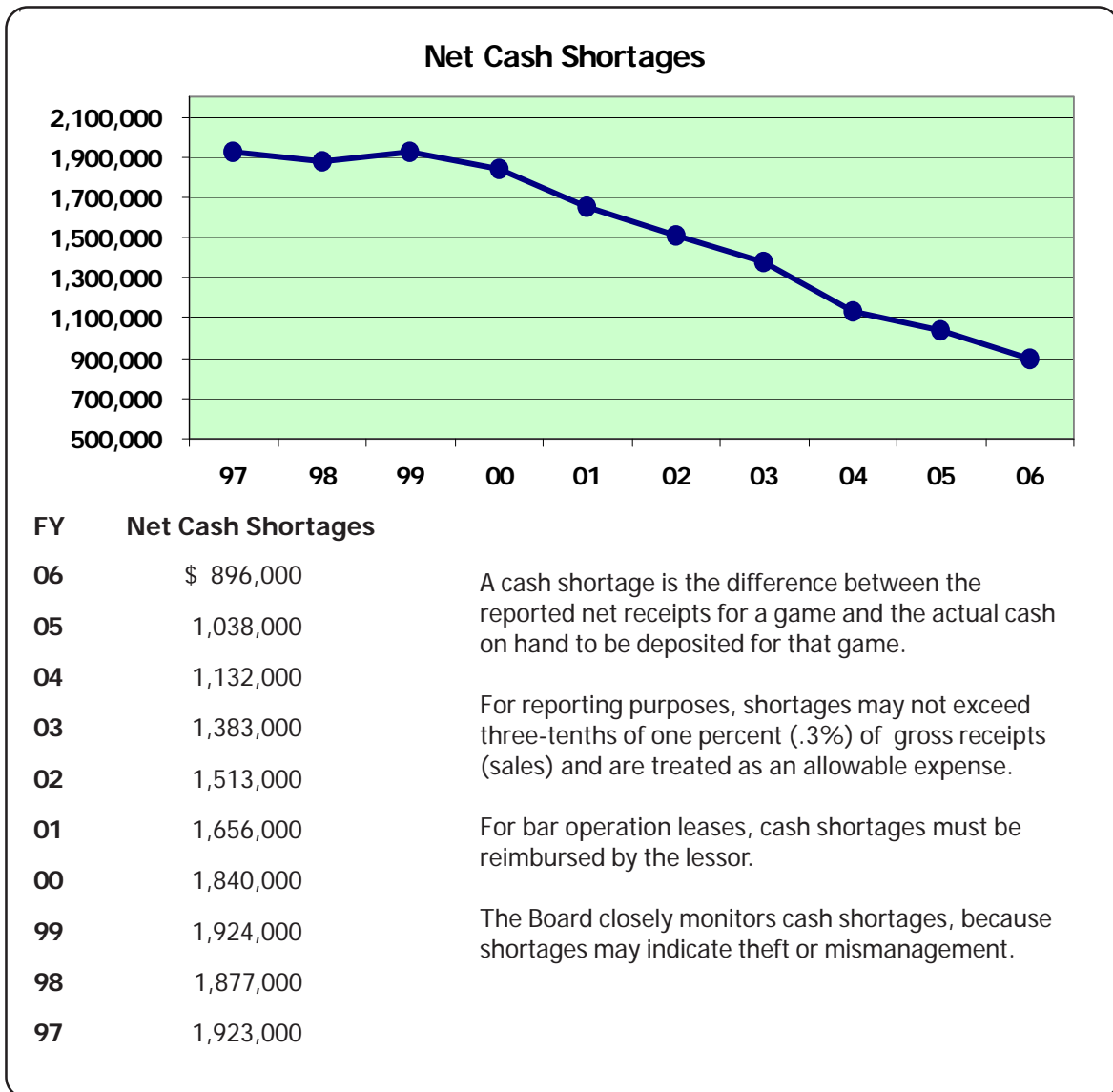
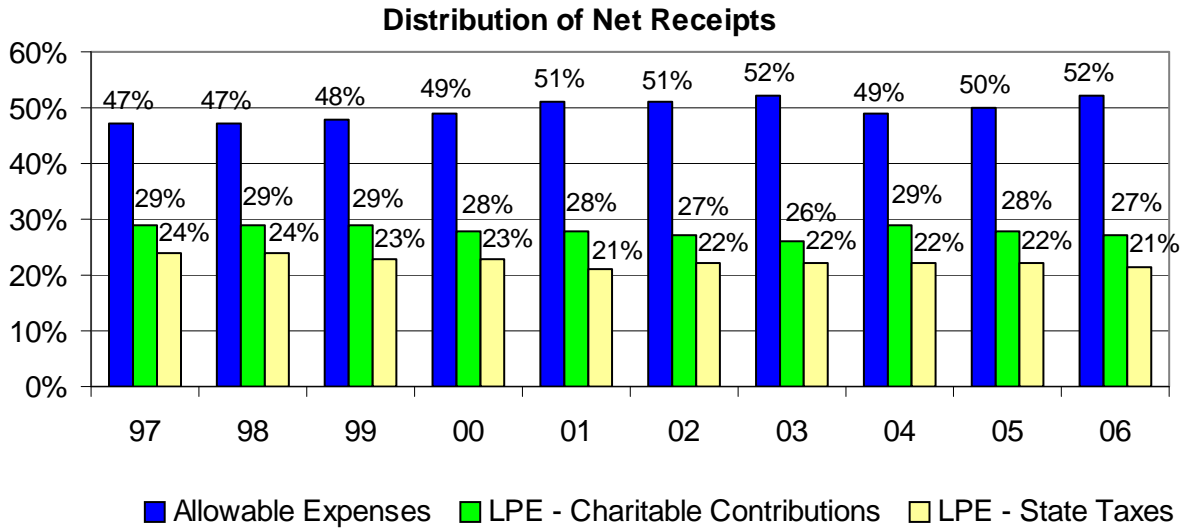
NOTE: For leases negotiated after May 31, 2003, rent is all-inclusive (utilities, etc) and for bar operations, the lessor must reimburse all cash shortages. Lessors and their employees may not be paid compensation. Effective July 1, 2003, license and permit fees are reported as a lawful purpose instead of allowable expense.

Ten-Year Comparison of Allowable Expenses

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
97	\$118,814,000



Lawful Gambling Statistics



Lawful Gambling Activity within a County

COUNTY	G R O S S			N E T (after prizes)		
	FY06	RECEIPTS FY05	% CHANGE since FY05	FY06	RECEIPTS FY05	% CHANGE since FY05
Aitkin	13,518,000	14,106,000	-4.2%	2,385,000	2,441,000	-2.3%
Anoka	111,619,000	104,428,000	6.9%	20,207,000	19,133,000	5.6%
Becker	11,738,000	12,420,000	-5.5%	2,101,000	2,173,000	-3.3%
Beltrami	8,619,000	9,079,000	-5.1%	1,486,000	1,516,000	-2.0%
Benton	12,111,000	11,878,000	2.0%	2,399,000	2,340,000	2.5%
Big Stone	666,000	509,000	30.8%	124,000	93,000	33.3%
Blue Earth	15,175,000	15,920,000	-4.7%	2,817,000	3,032,000	-7.1%
Brown	5,152,000	5,073,000	1.6%	1,021,000	981,000	4.1%
Carlton	10,947,000	11,997,000	-8.8%	1,874,000	1,988,000	-5.7%
Carver	15,557,000	16,218,000	-4.1%	2,811,000	2,890,000	-2.7%
Cass	11,978,000	11,930,000	0.4%	2,112,000	2,116,000	-0.2%
Chippewa	4,658,000	4,643,000	0.3%	800,000	793,000	0.9%
Chisago	12,174,000	11,864,000	2.6%	2,235,000	2,139,000	4.5%
Clay	13,515,000	13,676,000	-1.2%	2,453,000	2,505,000	-2.1%
Clearwater	3,472,000	3,308,000	5.0%	595,000	576,000	3.3%
Cook	109,000	81,000	34.6%	27,000	21,000	28.6%
Cottonwood	1,457,000	1,655,000	-12.0%	278,000	315,000	-11.7%
Crow Wing	34,356,000	34,283,000	0.2%	6,278,000	6,256,000	0.4%
Dakota	69,162,000	68,532,000	0.9%	12,886,000	12,675,000	1.7%
Dodge	3,956,000	4,705,000	-15.9%	765,000	895,000	-14.5%
Douglas	19,641,000	19,762,000	-0.6%	3,183,000	3,208,000	-0.8%
Faribault	5,117,000	5,021,000	1.9%	942,000	900,000	4.7%
Fillmore	7,905,000	7,810,000	1.2%	1,473,000	1,440,000	2.3%
Freeborn	9,257,000	10,681,000	-13.3%	1,844,000	2,067,000	-10.8%
Goodhue	8,234,000	9,075,000	-9.3%	1,502,000	1,632,000	-8.0%
Grant	3,312,000	3,519,000	-5.9%	497,000	521,000	-4.6%
Hennepin	155,636,000	182,176,000	-14.6%	27,535,000	33,123,000	-16.9%
Houston	6,597,000	6,830,000	-3.4%	1,212,000	1,258,000	-3.7%
Hubbard	12,810,000	13,437,000	-4.7%	1,819,000	1,847,000	-1.5%
Isanti	9,946,000	9,743,000	2.1%	1,791,000	1,714,000	4.5%
Itasca	16,077,000	17,134,000	-6.2%	2,884,000	3,092,000	-6.7%
Jackson	762,000	964,000	-21.0%	153,000	188,000	-18.6%
Kanabec	4,955,000	4,803,000	3.2%	926,000	916,000	1.1%
Kandiyohi	8,376,000	8,575,000	-2.3%	1,475,000	1,529,000	-3.5%
Kittson	1,514,000	1,438,000	5.3%	253,000	242,000	4.5%
Koochiching	5,514,000	5,723,000	-3.7%	961,000	987,000	-2.6%
Lac qui Parle	1,915,000	1,980,000	-3.3%	340,000	341,000	-0.3%
Lake	3,470,000	3,565,000	-2.7%	607,000	641,000	-5.3%
Lake of the Woods	5,115,000	4,989,000	2.5%	898,000	851,000	5.5%
Le Sueur	9,004,000	9,827,000	-8.4%	1,712,000	1,836,000	-6.8%
Lincoln	761,000	871,000	-12.6%	179,000	192,000	-6.8%
Lyon	3,288,000	3,785,000	-13.1%	646,000	748,000	-13.6%
Mahnomen	642,000	624,000	2.9%	76,000	81,000	-6.2%
Marshall	4,934,000	4,933,000	0.0%	782,000	806,000	-3.0%
Martin	6,874,000	7,155,000	-3.9%	1,187,000	1,239,000	-4.2%

Lawful Gambling Activity within a County

COUNTY	G R O S S			N E T (after prizes)		
	RECEIPTS		% CHANGE since FY05	RECEIPTS		% CHANGE since FY05
	FY06	FY05		FY06	FY05	
McLeod	11,933,000	12,842,000	-7.1%	2,208,000	2,378,000	-7.1%
Meeker	6,664,000	6,652,000	0.2%	1,306,000	1,318,000	-0.9%
Mille Lacs	14,962,000	14,965,000	0.0%	2,723,000	2,728,000	-0.2%
Morrison	20,497,000	20,703,000	-1.0%	3,636,000	3,720,000	-2.3%
Mower	12,209,000	13,140,000	-7.1%	2,482,000	2,725,000	-8.9%
Murray	1,089,000	1,335,000	-18.4%	218,000	271,000	-19.6%
Nicollet	6,277,000	6,648,000	-5.6%	1,269,000	1,291,000	-1.7%
Nobles	2,325,000	2,439,000	-4.7%	482,000	519,000	-7.1%
Norman	1,691,000	1,656,000	2.1%	255,000	264,000	-3.4%
Olmsted	19,600,000	20,427,000	-4.0%	4,098,000	4,300,000	-4.7%
Otter Tail	22,218,000	22,735,000	-2.3%	3,951,000	3,962,000	-0.3%
Pennington	6,426,000	6,479,000	-0.8%	1,171,000	1,154,000	1.5%
Pine	10,506,000	11,305,000	-7.1%	1,911,000	2,020,000	-5.4%
Pipestone	478,000	480,000	-0.4%	106,000	103,000	2.9%
Polk	20,862,000	20,688,000	0.8%	3,543,000	3,463,000	2.3%
Pope	5,640,000	5,974,000	-5.6%	1,002,000	1,075,000	-6.8%
Ramsey	114,303,000	132,161,000	-13.5%	22,788,000	25,477,000	-10.6%
Red Lake	1,874,000	1,911,000	-1.9%	335,000	338,000	-0.9%
Redwood	1,885,000	2,393,000	-21.2%	363,000	460,000	-21.1%
Renville	3,435,000	3,739,000	-8.1%	623,000	667,000	-6.6%
Rice	13,104,000	13,815,000	-5.1%	2,739,000	2,812,000	-2.6%
Rock	1,872,000	1,854,000	1.0%	333,000	323,000	3.1%
Roseau	5,808,000	5,490,000	5.8%	987,000	937,000	5.3%
Scott	17,962,000	20,836,000	-13.8%	3,300,000	3,773,000	-12.5%
Sherburne	28,894,000	27,325,000	5.7%	4,870,000	4,656,000	4.6%
Sibley	5,142,000	5,253,000	-2.1%	987,000	962,000	2.6%
St. Louis	59,799,000	64,278,000	-7.0%	9,924,000	10,802,000	-8.1%
Stearns	52,413,000	55,142,000	-4.9%	10,476,000	11,123,000	-5.8%
Steele	11,519,000	10,756,000	7.1%	2,226,000	2,037,000	9.3%
Stevens	2,283,000	2,535,000	-9.9%	438,000	460,000	-4.8%
Swift	4,619,000	4,183,000	10.4%	833,000	766,000	8.7%
Todd	12,286,000	12,461,000	-1.4%	2,168,000	2,212,000	-2.0%
Traverse	587,000	472,000	24.4%	109,000	82,000	32.9%
Wabasha	8,924,000	9,100,000	-1.9%	1,680,000	1,653,000	1.6%
Wadena	5,105,000	5,005,000	2.0%	842,000	801,000	5.1%
Waseca	5,029,000	5,377,000	-6.5%	989,000	1,033,000	-4.3%
Washington	45,655,000	46,893,000	-2.6%	8,686,000	8,980,000	-3.3%
Watonwan	3,875,000	3,563,000	8.8%	651,000	645,000	0.9%
Wilkin	874,000	1,150,000	-24.0%	150,000	200,000	-25.0%
Winona	15,862,000	15,893,000	-0.2%	3,121,000	3,140,000	-0.6%
Wright	45,571,000	43,251,000	5.4%	7,632,000	7,418,000	2.9%
Yellow Medicine	1,267,000	1,444,000	-12.3%	244,000	281,000	-13.2%
TOTAL	1,304,919,000	1,365,473,000	-4.4%	238,386,000	249,606,000	-4.5%

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 three percent 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 2005.

City	Rate	Collected	City	Rate	Collected
Austin	0.50%	6,457.53	North Mankato	3%	15,350.31
Bloomington	0.25%	7,338.21	Owatonna	3%	5,150.00
Duluth	3%	95,301.00	(up to \$500)		
Eden Prairie	1%	0.00	Plymouth	3%	552.00
Fridley	3%	74,620.18	Roseville	3%	69,275.98
Lino Lakes	3%	950.57	Saint Paul	2.5%	253,913.00
Little Canada	0%	3,890.99	Shoreview	3%	4,268.31
(interest only on fund balance)			Spring Lake Park	3%	71,275.00
Madison Lake	3%	506.83	St. Louis Park	.0075%	8,956.66
Mankato	3%	58,794.92	White Bear Lake	2%	34,907.00
Mendota	2%	3,390.53	Worthington	3%	7,291.00
Minneapolis	3%	206,452.96	Total collected		\$934,479.11
Maple Grove	0.50%	5,836.13			

LOCAL 10% FUND FOR LAWFUL PURPOSE

As established by ordinance, a city or county may require an organization to contribute up to 10% per year of net profits to a fund that the city or county administers. 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 lawful purposes, including police, fire, and other emergency or public safety-related services, equipment, and training. However, 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 that fund. A report must be submitted to the Gambling Control Board by March 15 each year. The following cities and counties reported amounts collected, including interest on fund balances, for 2005.

City or County	Rate	Collected	City or County	Rate	Collected	City or County	Rate	Collected
Alexandria	10%	34,373.35	Hawley	10%	1,927.24	Plymouth	10%	18,748.35
Andover	10%	11,021.25	Hewitt	10%	6,178.80	Proctor	10%	5,788.70
Arden Hills	10%	63,863.85	Hibbing	10%	16,729.25	Ramsey	3%	187,619.00
Barnum	10%	2,030.61	Hokah	10%	3,673.66	Rockford	10%	12,155.46
Bayport	10%	3,686.00	Hollandale	10%	713.70	Roseville	10%	78,203.12
Blaine	10%	77,674.59	Jackson	10%	8,796.62	Saint Martin	10%	2,387.28
Bovey	10%	4,283.00	Kasota	10%	1,659.65	Saint Paul	10%	31,704.59
Brownsville	10%	1,705.31	Kerkhoven	10%	1.88	Scanlon	10%	1,536.74
Calumet	10%	1,110.79	Kettle River	10%	3,150.47	Sedan	10%	2,284.03
Canton	10%	2,100.00	Kingston	10%	754.93	Shafer	5%	929.21
Centerville	10%	4,973.00	Lakeland Shores	10%	863.79	Sherburn	10%	2,524.92
Cloquet	10%	12,517.96	Laporte	10%	1,722.11	Shoreview	10%	2,037.03
Cold Spring	10%	13,278.83	Little Canada	10%	48,446.11	Tower	10%	3,441.68
Dassel	10%	1,143.40	Long Beach	10%	2,689.56	Utica	10%	10,457.66
Duluth	5%	20,889.00	Long Lake	10%	3,687.00	Victoria	10%	29,627.00
Dundee	10%	17,545.95	Madison Lake	10%	1,490.41	Wahkon	10%	3,640.22
East Bethel	10%	11,624.64	Maple Grove	10%	22,479.21	Waite Park	10%	39,840.00
Elko	5%	1,912.38	Maplewood	10%	50,993.07	Wilton	10%	1,834.08
Evansville	10%	329.56	Mayer	10%	3,659.00	Winnebago	10%	2,470.00
Eveleth	10%	6,492.71	Milaca	10%	8,554.00	Winsted	5%	39,000.00
Eyota	10%	3,766.00	Minneapolis	10%	30,700.00	Wyoming	10%	15,420.50
Falcon Heights	10%	26.56	Mountain Iron	10%	2,761.05			
Faribault	5%	26,544.12	Murray County	10%	1,690.94	TOTAL COLLECTED \$ 1,132,300.25		
Frost	1%	722.79	Myrtle	10%	4,518.69	The following cities reported \$0 collected for 2005:		
Golden Valley	10%	32,752.07	Nielsville	10%	324.61	• Battle Lake		
Gully	10%	1,065.31	Nimrod	10%	399.78	• Crystal		
Hampton	10%	3,529.58	North Mankato	10%	12,636.62	• Eden Prairie		
Hartland	10%	2,450.00	Oakdale	10%	35,686.00	• Kerkhoven		

Legislative Changes

Legislative Changes - Effective May 19, 2006	
Conduct of Bingo	
"Bingo balls" replaced with "bingo numbers"	To allow for the use of electronic random selection of bingo numbers, the term "bingo balls" was replaced with "bingo numbers." [Minnesota Statute 349.17, Subd. 6(b)]
Board rulemaking authority for facsimile of bingo face	The Board's rulemaking authority was expanded to allow for the use of facsimile bingo paper sheets printed at the point of sale when used with an electronic bingo device, as approved by the Board. [Minnesota Statute 349.151, Subd. 4c and 349.17, Subdivision 5(a)(1)]
Linked bingo in bar	Linked bingo may be conducted at a bar bingo occasion. [Minnesota Statute 349.17, Subd. 7(4)]
Liquid daubers	The requirement that liquid daubers be used with bingo paper was eliminated. [Minnesota Statute 349.17, Subd. 5(a)(1) and Minnesota Statute 349.17, Subd. 6(b)]
Bingo and Bingo-Related Definitions	
Bingo	The definition of bingo was amended to allow the use of a "facsimile of bingo paper face" in conjunction with an electronic bingo device. [Minnesota Statute 349.12, Subd. 4]
Electronic bingo device	The definition of electronic bingo device was amended to allow the use of a facsimile of a bingo paper sheet. [Minnesota Statute 349.12, Subd. 12a.]
Gambling equipment	The definition of gambling equipment was amended to include "electronic bingo devices." [Minnesota Statute 349.12, Subd. 18]
Gross receipts	The definition of gross receipts for lawful gambling activity was amended to include receipts from the rental of electronic bingo device (to players) and receipts from the sale of facsimile bingo paper sheets when used in conjunction with an electronic bingo device. [Minnesota Statute 349.12, Subd. 21]
Conduct of Raffles	
"Button raffles"	A certificate of participation in a raffle may be a button with a nominal value of less than \$5. [Minnesota Statute 349.173(b)(2)]
Conduct of Pull-tabs	
Cumulative or carryover games and event games	The Board is required to allow by rule the following pull-tab games: <ul style="list-style-type: none"> • games with multiple seals, • games with cumulative or carryover prizes, and • event games in which certain winners are determined by the random selection of one or more bingo numbers or by another method approved by the Board. [Minnesota Statute 349.1721, Subd. 1 and 2] Cumulative or carryover prizes may not exceed \$2,500. [Minnesota Statute 349.211, Subd. 2a]
Conduct on Leased Premises	
Activity in booth and on leased premises	No entity other than the licensed organization may conduct any activity within a booth operation on a leased premises. Language pertaining to other entities prohibited from conducting activity when lawful gambling conducted on a leased premises was deleted. [Minnesota Statute 349.18, Subd. 1(f)]

Legislative Changes - Effective May 19, 2006

Compensation and Employment

Compensation to lessor's immediate family

An organization may not pay compensation to the lessor, a *lessor's immediate family member*, or lessor's employees other than as a pull-tab or tipboard seller within a booth operation on the premises. A member of the lessor's immediate family may be compensated by an organization for the conduct of gambling at other sites not owned by the lessor. [Minnesota Statute 349.168, Subd. 10]

The prohibition for compensating a lessor's immediate family member was deleted from Minnesota Statute 349.18, Subd. 1(k).

Electronic Payments and Transfers

Electronic transfer to general account for taxes, with restriction

When restricted to one electronic fund transaction for the payment of gambling taxes for the organization as a whole, the organization may transfer the amount of taxes related to the conduct of gambling to the general account at the time when due and payable. [Minnesota Statute 349.19, Subd. 2]

Electronic payment of allowable expenses

In addition to the electronic transfer allowed for gambling taxes, an organization may pay all allowable expenses electronically from the gambling account as authorized by the membership. [Minnesota Statute 349.19, Subd. 3(a)]

Expense Calculations

One-time 15% carryover for positive expense calculation balance

For licenses renewed with an effective date between July 1, 2006, and June 30, 2008, an organization shall carry forward an amount equal to 15% of any positive allowable expense carryover amount. This balance must be used to offset any future negative expense balance at the time of license renewal. [Minnesota Statute 349.15, Subd. 1]

Reimbursement for license renewal

Reimbursement for excess expenses is a requirement for license renewal. The reimbursement must be from a source of nongambling funds. The Board may by rule impose sanctions or penalties on organizations that exceed the expenditure restrictions under section 349.15, subdivision 1. [Minnesota Statute 349.16, Subd. 2(h)]

Lawful Purpose Expenditures

Lawful purpose - scholarships

A-5 Scholarships

A contribution may be made for defraying the cost of education to individuals where the funds are awarded through an open and fair selection process. The contribution may be made to the following:

- an individual,
- a public or private nonprofit educational institution registered with or accredited by Minnesota or any other state, or
- a scholarship fund of a nonprofit organization whose primary mission is to award scholarships.

[Minnesota Statute 349.12 Subd. 25(a)(5)]

Legislative Changes

Legislative Changes - Effective May 19, 2006

Linked Bingo Game Provider

Bond requirement	The principal bond requirement was reduced from \$250,000 to \$100,000. [Minnesota Statute 349.1635, Subd. 3(1)]
Minimum gift to organizations	A linked bingo game provider or employee, representative, agent, affiliate, or other employee of a linked bingo game provider may not provide an employee or agent of an organization with any compensation, gift, gratuity, premium, or other thing of value greater than \$25 per organization in a calendar year. [Minnesota Statute 349.1635, Subd. 4(a)(5) and (6)]

Local Unit of Government

License and fees	<ul style="list-style-type: none"> A statutory or home rule city or county (local unit of government) may not require a license or fee for a license or permit to conduct gambling by organizations, gambling managers, gambling employees, or sales by distributors or linked bingo game providers licensed by or registered with the Board. A city or county may impose a fee not to exceed \$100 for nonlicensed organizations which conduct exempt or excluded gambling under <i>Minnesota Statute 349.166</i>. [Minnesota Statute 349.213, Subd. 1]
Contributions to ten percent fund	When contributions are made to a city or county's "ten percent fund," the gambling proceeds must be used for "charitable contributions" as defined in section 349.12, subdivision 7a. [Minnesota Statute 349.213, Subd. 1]

Miscellaneous, Technical, and Housekeeping Changes

Conflict of interest	Gambling Control Board members and staff of the Board may not purchase any chance in a lawful gambling game unless it is part of an investigation. [Minnesota Statute 349.153(d)]
Employee participation	Participation in lawful gambling was clarified for employees of a lessor and organization. [Minnesota Statute 349.18, Subd. 1(h) and (i)]
Excluded bingo	For nonlicensed organizations conducting excluded bingo under Minnesota Statute 349.166, subdivision 1, the conduct of bingo was clarified in terms of "days" instead of "occasions." [Minnesota Statute 349.166, Subd. 1(a)(2)]
Exempt permits	The Board may refuse to issue an exempt permit if a report or application is determined to be incomplete or knowingly contains false or inaccurate information. [Minnesota Statute 349.166, Subd. 2(b)]
Gambling manager	A gambling manager is responsible for the "gambling" gross receipts (not the general fund receipts) for the organization [Minnesota Statute 349.167, Subd. 1]
Obsolete language	<p>Obsolete language was deleted for the following:</p> <ul style="list-style-type: none"> Reference to bingo hall [Minnesota Statute 349.12, Subd. 21 and 349.153(a)] Distributor date (1/1/91) [Minnesota Statute 349.162, Subd. 4(c)] Manufacturers (unaffixed stamps) [Minnesota Statute 349.162, Subd. 5(d)] Lease date (8/1/94) [Minnesota Statute 349.18, Subd. 1(a)] Sales of pull-tab and tipboards <i>within a leased premises</i> [Minnesota Statute 349.18, Subd. 1(g)]
Study on automation of reporting requirements	The commissioner of revenue and the Board must conduct a feasibility study pertaining to consolidation and automation of reporting requirements for lawful gambling activity and submit a report to the legislative and governor by January 31, 2007.

Rule Changes

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.

The Board set a target for completion of the rules process for March 2007.

The Board's rulemaking docket and other rule related notices can be accessed at www.gcb.state.mn.us.

Education Program

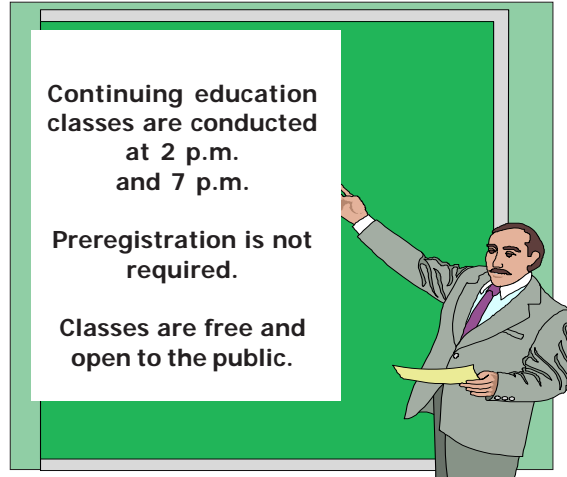
An integral part of the Board's mission is educating the lawful gambling industry. To ensure the integrity of the industry, education is provided to organizations through the following opportunities.

Continuing Education Classes

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

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, 82 continuing education classes were conducted.



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 responsibilities of organizations conducting lawful gambling.

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.

Speaking Engagements

Staff participated in speaking engagements throughout the state at conferences and conventions, such as American Legion, VFW, Eagles, and Lions. Attending these functions allows the staff to reach a large number of people and provide up-to-date pertinent lawful gambling information.

Education Program

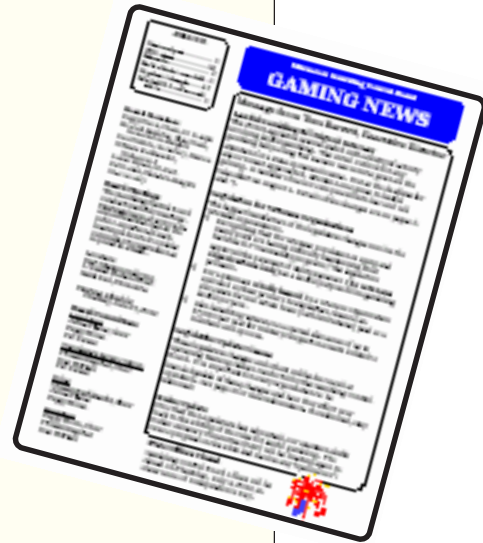
Gaming News

The Board publishes the bi-monthly *Gaming News* newsletter on its web site at 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

www.gcb.state.mn.us

<p>BOARD INFORMATION</p> <ul style="list-style-type: none"> √ Meeting dates √ Phone numbers √ Summary of actions taken by the Board at its monthly meeting 	<p>LOCAL GOVERNMENT (city and county)</p> <ul style="list-style-type: none"> - local tax or investigation fee - contribution fund - authority - reports
<ul style="list-style-type: none"> ■ Education information ■ Training dates ■ Request for mentoring 	<p>GET CONNECTED!</p> <ul style="list-style-type: none"> * Links to other agencies * Link to legislature * E-mail links to staff
<p>LIST of licensed...</p> <ul style="list-style-type: none"> ➔ Distributors ➔ Manufacturers ➔ Linked Bingo Game Providers ➔ Organizations 	<ul style="list-style-type: none"> √ Licensing information √ Forms √ Lawful gambling statutes √ Lawful gambling rules
<p style="text-align: center;">PUBLICATIONS</p> <ul style="list-style-type: none"> • Gaming News • CEO Guidebook • Illegal Gambling • Conduct of Pull-tabs • Lawful Gambling Manual • Who May and May Not Play • Raffle Ticket Requirements • Frequently Asked Bingo Questions 	

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by using the Minnesota Relay Service and
ask to place a call to 651-639-4000.