



Minnesota Gambling Control Board

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State of Minnesota
Minnesota Gambling Control Board
Annual Report



Fiscal Year
2019

July 1, 2018 - June 30, 2019



Message from the Board Chair and Executive Director

November 19, 2019

The Minnesota Gambling Control Board regulates the lawful gambling industry to ensure the integrity of gambling operations and provide for the lawful use of net profits. Lawful gambling may be conducted only by registered, nonprofit organizations. This report summarizes the lawful gambling activity from paper and electronic bingo, paddlewheels, paper and electronic pull-tabs, raffles, and tipboards for fiscal year 2019 beginning July 1, 2018, through June 30, 2019.

Fiscal year 2019 showed gross sales of \$2.3 billion. Minnesota remains No. 1 in the nation for total reported lawful gambling sales.

Highlights:

- FY 2019 marked the 9th year in a row for increased sales with a 16.6% increase over FY 2018.
- On June 30, 2019, there were 2,836 active lawful gambling premises permits in Minnesota.
- Pull-tabs (paper and electronic) made up the bulk of total sales with 94% of the \$2.3 billion.
- On June 30, 2019, there were 1,335 sites with electronic pull-tabs (47% of total sites). For FY 2019, gross sales from electronic pull-tabs were over \$595 million. Electronic pull-tab sales increased 65% from FY 2018. Paper pull-tab sales also increased from FY 2018.
- All forms of lawful gambling showed increased activity. From FY 2018 to FY 2019, bingo increased 3.6%, paddlewheels .7%, pull-tabs 17.5%, raffles 3.3%, and tipboards 17.8%.
- Manufacturers increased their sales and marketing efforts, fueled by rolling out an average of 520 new games each month.
- A record \$1.97 billion was paid to players in prizes. Average prize payouts totaled 84.6% of gross receipts. That left 15.4%, or \$359 million, in net receipts for expenses, charitable contributions, taxes, and other lawful purposes.
- Over \$180 million was available for lawful purpose contributions.

Fiscal year 2019 was a good year for the 1,146 licensed lawful gambling organizations in Minnesota and the 2,836 sales locations that support the missions of the organizations. The Minnesota Gambling Control Board and staff will continue to work hard to provide the necessary oversight and regulation of this multi-billion-dollar industry.

Respectfully submitted,

Handwritten signature of William Goede.

William Goede
Board Chair

Handwritten signature of Matt Gettman.

Matt Gettman
Executive Director

Statement of Cash Receipts/Expenditures

License/permit/testing fees*	\$1,854,195
Regulatory fee (0.125% (.00125) of gross receipts)	\$2,907,711
<u>Total Gambling Control Board fees collected</u>	<u>\$4,761,906</u>

Legislative appropriation FY 2019	\$3,457,000
Actual Board FY 2019 expenditures	\$3,327,382
Unused appropriation returned to dedicated account	\$129,427

Civil penalties, fines (consent orders, citations) deposited into the state’s general fund \$34,850

* Manufacturer license, game approval/testing, distributor license, distributor salesperson license, linked bingo game provider license, organization license, gambling manager license, premises permit, and exempt permit.

License and Permit Overview as of June 30, 2019

10	manufacturers	Sold product to licensed distributors (6,235 new games approved in FY19)
2	linked bingo game providers	Provided linked bingo games to licensed, exempt, or excluded lawful gambling organizations
9	distributors	Sold product to licensed, exempt, or excluded lawful gambling organizations
108	distributor salespersons	Persons licensed to sell gambling equipment to nonprofit organizations
1,146	nonprofit organizations	Nonprofit organizations licensed to conduct gambling at permitted premises
	<u>Type of Nonprofit Organization:</u>	<u>#</u> <u>%</u>
	Veterans—American Legions, VFWs, and auxiliaries	312 27%
	Fraternal - Eagles, Moose, Elks, Lions	234 21%
	Youth sports and activities	187 16%
	Civic, religious, fire relief, outdoor, other misc.	413 36%
	Total nonprofit organizations	1,146 100%
1,146	gambling managers	Members of licensed nonprofit organizations responsible for supervising organizations’ lawful gambling operations
2,836	premises permits	Permits in Minnesota where lawful gambling was conducted by licensed organizations
3,456	exempt permits	2,371 nonprofit organizations applied for permits to conduct limited gambling of up to five days per calendar year (January 1-December 31) and conducted 3,456 activities in FY19 (July 1, 2018-June 30, 2019) with tax-exempt gross receipts of \$47,837,338 (see page 7 for additional information)
633	excluded permits	373 nonprofit organizations applied for permits to conduct 633 excluded bingo activities (“excluded” bingo is conducted for four or fewer events, or conducted up to 12 consecutive days in conjunction with a county fair, civic celebration, or the State Fair)

Lawful Gambling Statistics

2019 Fiscal Year Sales Activity Summary*

Activity	# of Sites	Gross Receipts (sales)			Prizes Paid		% Payout		Net Receipts (gross less prizes)			
		FY19	FY18	% Change	FY19	FY18	FY19	FY18	% Change			
Bingo	Paper	1,007	\$75,819,000	\$74,539,000	1.7%	\$57,044,000	\$56,184,000	75.2%	75.4%	\$18,775,000	\$18,355,000	2.3%
	Electronic	1,005	\$17,391,000	\$15,462,000	12.5%	\$14,739,000	\$13,022,000	84.6%	84.2%	\$2,652,000	\$2,440,000	8.7%
Paddlewheels	w/table	26	\$4,977,000	\$5,405,000	(-7.9%)	\$4,337,000	\$4,709,000	87.1%	87.1%	\$640,000	\$696,000	(-8.0%)
	w/o table	863	\$14,330,000	\$13,764,000	4.1%	\$9,209,000	\$8,835,000	64.3%	64.2%	\$5,121,000	\$4,928,000	3.9%
Pull-Tabs	Paper	2,930	\$1,598,100,000	\$1,506,208,000	6.1%	\$1,361,677,000	\$1,278,951,000	85.2%	84.9%	\$236,423,000	\$227,257,000	4.0%
	Electronic	1,439	\$595,043,000	\$360,522,000	65.1%	\$510,629,000	\$309,147,000	85.8%	85.7%	\$84,414,000	\$51,375,000	64.3%
Raffles		627	\$12,676,000	\$12,274,000	3.3%	\$6,015,000	\$5,843,000	47.5%	47.6%	\$6,661,000	\$6,430,000	3.6%
Tipboards (TBS)												
	TBS—Other	747	\$11,410,000	\$12,328,000	(-7.5%)	\$8,366,000	\$9,147,000	73.3%	74.2%	\$3,043,000	\$3,180,000	(-4.3%)
	TBS—Sports**	839	\$3,118,000	n/a	n/a	\$2,422,000	n/a	77.7%	n/a	\$696,000	n/a	n/a
	Interest		\$223,000	\$47,000	n/a	n/a	n/a	n/a	n/a	\$223,000	\$47,000	n/a
Totals			\$2,333,086,000	\$2,000,548,000	16.6%	\$1,974,439,000	\$1,685,838,000	84.6%	84.3%	\$358,647,000	\$314,709,000	14.0%

* Numbers are based on licensed organizations reporting to the Minnesota Gambling Control Board, and do not include exempt permit activities.
 ** Sports tipboards were first offered in FY 2019.

Lawful Purpose Expenditures (LPE)

Lawful Purpose Required Percentages. Organizations are required to spend at least 30% of their net profits on lawful purposes, including taxes. (Exception: Organizations that conduct lawful gambling in a location where the primary business is bingo must spend 20% or more.) Failure to meet the percentage requirement subjects the organization to probation and possible sanctions by the Board. Proceeds from lawful gambling may be used for lawful purpose expenditures (LPE) in the following categories (amounts are actual LPE spent in FY19**):

Gross receipts (sales) \$2,333,086,000
 Prizes paid \$1,974,439,000
 Allowable expenses \$178,639,000

LPE \$180,008,000*

* Includes retained cash and accounting adjustments totaling \$4,776,000.

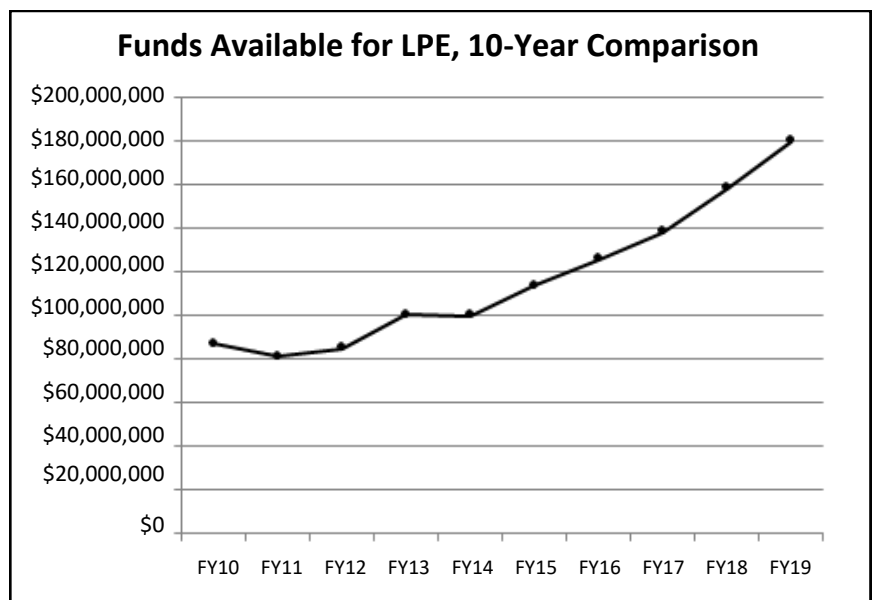
State gambling taxes	\$88,777,000	Recognition of military service and support of non-licensed veterans' clubs	\$2,014,000
Contributions to/expenditures by 501(c)(3) organizations or 501(c)(4) festival organizations	\$30,458,000	Religious purposes	\$1,201,000
Programs/projects by the United States, the state of Minnesota, or local units of government (excluding taxes)	\$12,908,000	Wildlife management projects, grooming and maintaining snowmobile and all-terrain vehicle trails approved by DNR, and monitoring surface water quality	\$1,003,000
Youth activities.....	\$12,314,000	Contributions to another licensed organization or parent organization with Board approval	\$698,000
Specific utility costs by licensed veterans and fraternal organizations.....	\$4,995,000	Congregate dining, nutritional programs, or food shelves for the disabled or persons age 62 and older	\$297,000
Scholarship funds and private or public nonprofit educational institutions	\$4,426,000	Membership events by licensed veterans organizations	\$194,000
Lawful gambling license & regulatory fees	\$4,036,000	Community arts organizations or program sponsorships	\$93,000
Local and federal gambling taxes.....	\$3,630,000	Recognition of humanitarian service	\$62,000
Relieving effects of poverty, homelessness, or disabilities.....	\$3,045,000	Compulsive gambling programs	\$14,000
Acquisition or improvement of qualifying capital assets or real property of organization-owned buildings.....	\$2,599,000		
Real estate taxes	\$2,467,000		

** Numbers are based on expenditures reported to the Gambling Control Board on form LG100C, Lawful Purpose Expenditures.

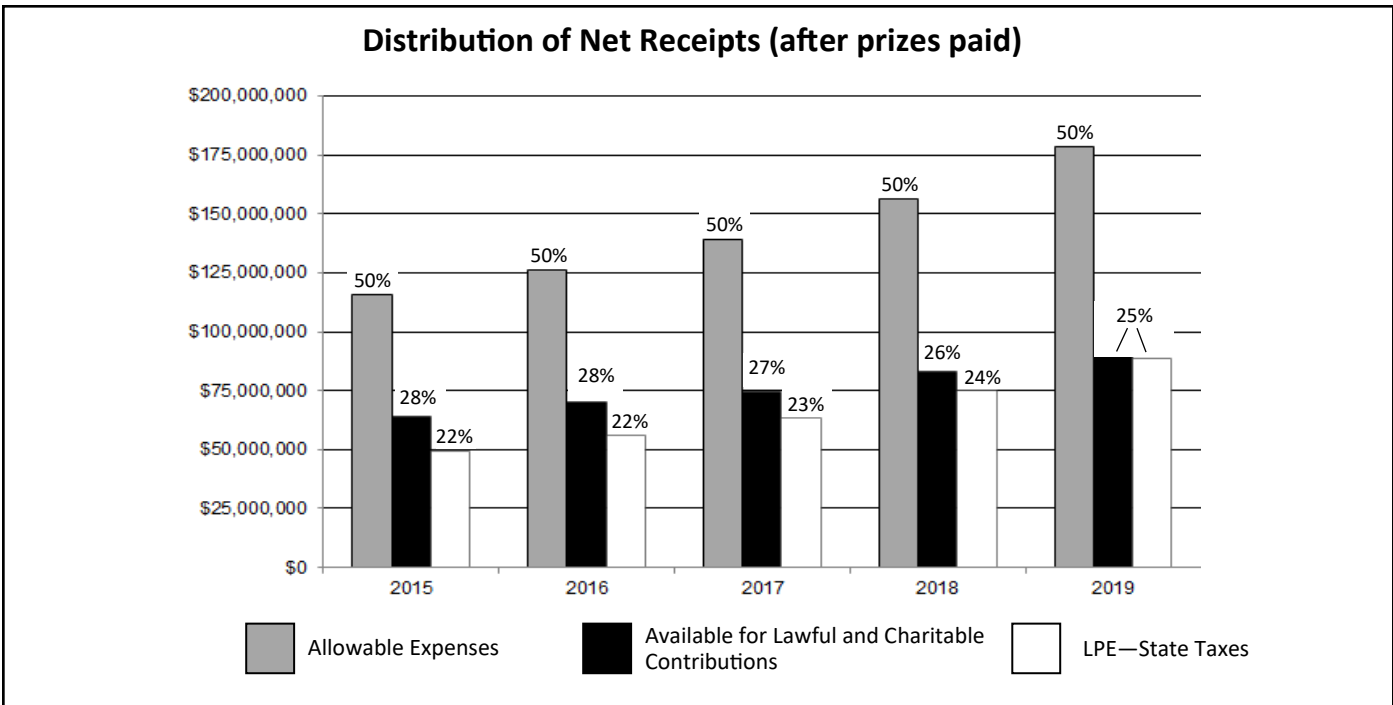
FY19 LPE*
 (after prizes and expenses)
\$180,008,000

2019	\$180,008,000
2018	\$158,338,000
2017	\$138,350,000
2016	\$125,985,000
2015	\$113,688,000
2014	\$99,751,000
2013	\$100,278,000
2012	\$84,923,000
2011	\$81,336,000
2010	\$87,025,000

* LPE includes state gambling taxes. See page 6.



Distribution of Net Receipts



Lawful Gambling Dollars — Where the Money Goes

For every dollar spent on lawful gambling in Minnesota in FY 2019, 84.6¢ was returned as prizes to players, leaving 15.4¢ for expenses, lawful purpose expenditures, and taxes. That 15.4¢ is spent as follows:

State, federal and local taxes	25.76% — \$92,407,000
Wages and other expenses	24.05% — \$86,241,000
Lawful purpose expenditures* (after expenses, taxes, fees)	23.30% — \$83,565,000
Manufacturer/distributor	15.65% — \$56,122,000
Bar rent	10.11% — \$36,276,000
License and regulatory fees	1.13% — \$4,036,000
Total	\$358,647,000

* Includes retained cash and accounting adjustments

Breakdown of Retained Cash*, All Organizations at Fiscal Year End (cumulative)

	FY15	FY16	FY17	FY18	FY19
Checking	\$31,224,000	\$32,612,000	\$34,249,000	\$38,825,000	\$40,409,000
Savings	\$3,851,000	\$3,807,000	\$3,775,000	\$3,684,000	\$4,558,000
Starting Cash Banks	\$7,955,000	\$8,787,000	\$9,765,000	\$10,853,000	\$12,149,000
Less Start-Up or Emergency Loans	(\$885,000)	(\$966,000)	(\$924,000)	(\$831,000)	(\$1,113,000)
TOTAL	\$42,146,000	\$44,240,000	\$46,866,000	\$52,530,000	\$56,003,000**

* Retained cash is money organizations have on hand in checking accounts, savings accounts, and starting cash banks, less start-up or emergency loans.

** A \$3,473,000 increase from FY18.

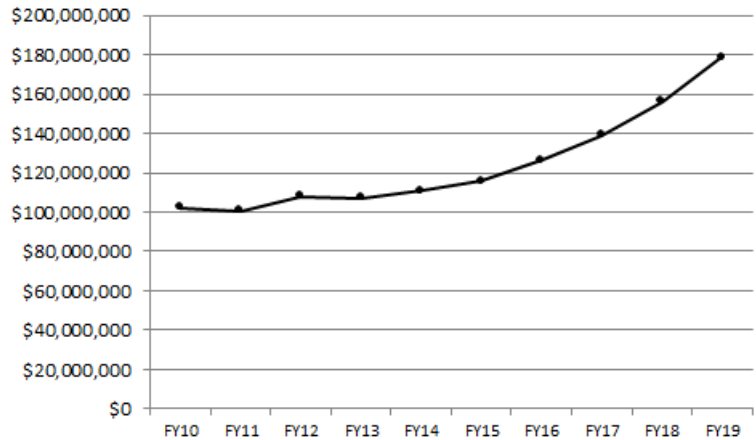
Allowable Expenses

Allowable Expenses Ten-Year Comparison

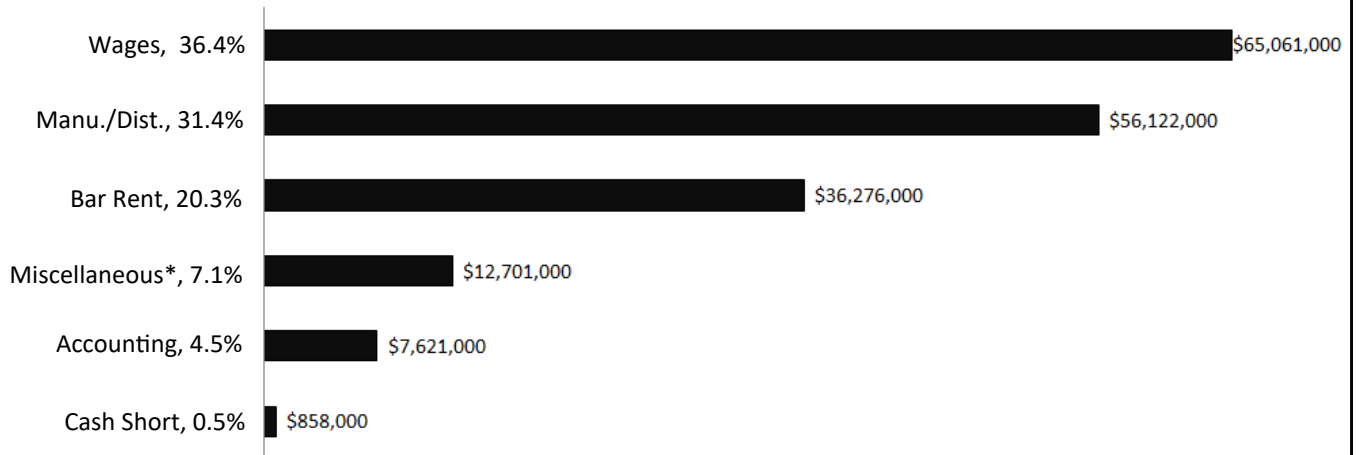
2019	\$178,639,000
2018	\$156,371,000
2017	\$139,127,000
2016	\$126,315,000
2015	\$115,607,000
2014	\$110,695,000
2013	\$107,266,000
2012	\$107,957,000
2011	\$100,398,000
2010	\$102,167,000

Allowable expenses are operating costs incurred by licensed organizations in their conduct of lawful gambling. Examples include product costs, rent to bar owners, salaries, accounting fees, insurance, and supplies.

Allowable Expenses, 10-Year Comparison

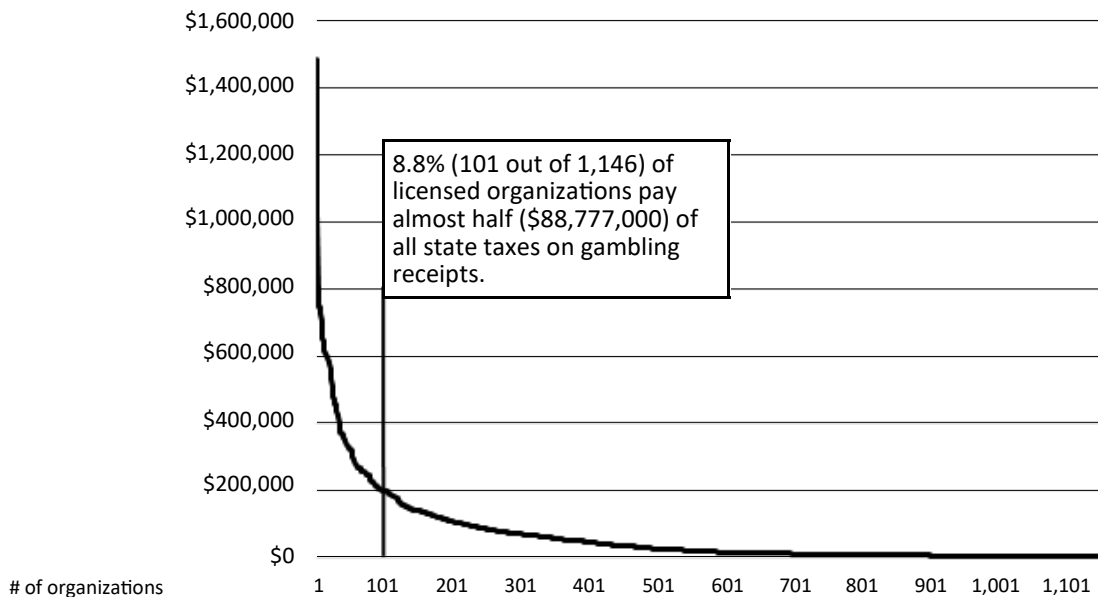


FY19 Allowable Expenses, by Category



* Examples of miscellaneous expenses include office equipment and supplies, travel expenses, and gambling manager's bond.

FY19 State Tax Paid by Each Licensed Organization



Lawful Gambling State Taxes

The state gambling taxes included as lawful purpose expenditures in FY19 are:

Net receipts tax, an 8.5% tax on the net receipts on non-linked bingo, raffles, and paddlewheels.

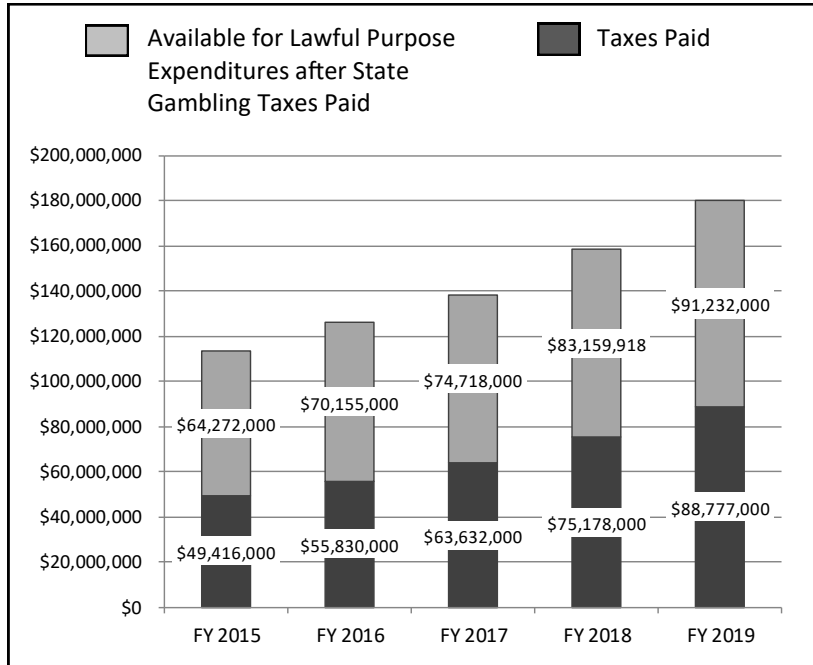
Combined net receipts taxes, which are progressive taxes calculated on the net receipts from electronic and paper pull-tabs, tipboards, electronic linked bingo, and interest.

Sales and use tax. There is no sales tax on actual game sales to players. However, organizations pay a 6.875% sales and use tax on the purchase and lease of gambling equipment and also on revenue sharing agreements for that equipment.

State Gambling Tax Yearly Comparison

FY	Tax Paid	Net taxes as % of	
		gross receipts	net receipts
2019	\$88,777,000	3.8%	24.8%
2018	\$75,178,000	3.7%	23.8%
2017	\$63,632,000	3.7%	22.9%
2016	\$55,830,000	3.6%	22.1%
2015	\$49,416,000	3.7%	21.6%

	FY 2019	FY 2018
Net receipts tax:	\$2,652,000	\$2,585,000
Combined net receipts tax:	<u>\$86,125,000</u>	<u>\$72,594,000</u>
Total State Gambling Tax:	\$88,777,000	\$75,178,000



Understanding Lawful Gambling State Taxes

Taxes fall under the purview of the Minnesota Department of Revenue and the rates are set by the Legislature. Minnesota has five forms of lawful gambling but, according to statute, taxes are not the same for each form. For non-linked bingo, raffles, and paddlewheels, the tax rate is a flat 8.5% of net receipts. All other gambling income is subject to the combined net receipts tax. Per Minnesota Statutes, Section 297E.02, subdivision 6, the combined net receipts tax rates are as follows:

If the combined net receipts for the fiscal year are:	Then the tax is:
Not over \$87,500	nine percent
Over \$87,500, but not over \$122,500	\$7,875 plus 18 percent of the amount over \$87,500, but not over \$122,500
Over \$122,500, but not over \$157,500	\$14,175 plus 27 percent of the amount over \$122,500, but not over \$157,500
Over \$157,500	\$23,625 plus 36 percent of the amount over \$157,500

On day one of each fiscal year all licensed organizations start at the lowest rate (9%) and will pay that rate on the first \$87,500 made in that fiscal year. Organizations with annual combined net receipts over \$87,500 paid 18% on their next \$35,000 of net receipts, 27% on the \$35,000 after that, and then 36% on any net receipts earned after their annual net receipts hit \$157,500. This means that an organization with annual combined net receipts of \$200,000 paid an average tax rate of less than 20% for the year, even though the organization paid 36% tax on the last \$42,500 it earned at the end of the year.

In FY 2019, the tax paid by 32% of organizations did not exceed 9% of their net receipts.

Tax-Exempt Permits

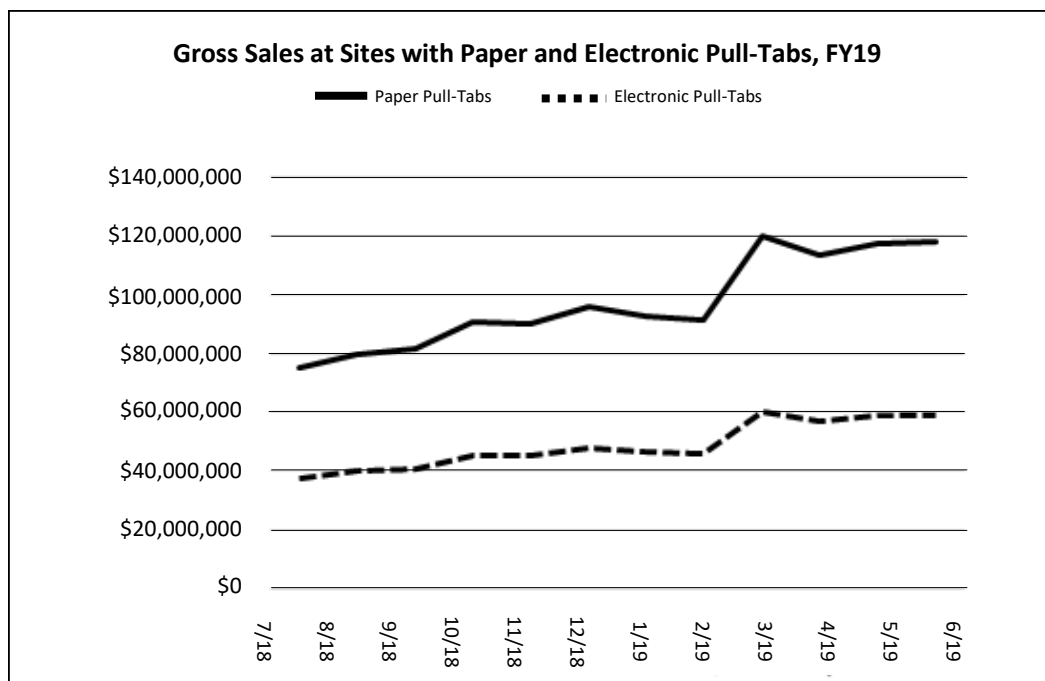
Minnesota Statutes, Section 349.166, subdivision 2, allows tax-exempt lawful gambling (with the exception of linked bingo games). To qualify, a nonprofit organization may only conduct lawful gambling on five or fewer days in a calendar year (January 1-December 31) and not award more than \$50,000 in prizes for lawful gambling in a calendar year. In FY 2019 2,371 nonprofit organizations applied for permits to conduct limited gambling of up to five days per calendar year and conducted **3,456 activities** with tax-exempt gross receipts of **\$47,837,338**.

<u>Tax-Exempt activity</u>	<u>Gross receipts</u>	<u>Expenses*</u>	<u>Profit</u>
Raffles	\$45,314,347	\$17,879,346	\$27,435,001
Bingo	\$1,513,746	\$641,801	\$871,945
Pull-Tabs	\$725,077	\$636,034	\$89,043
Paddlewheel	\$227,986	\$66,367	\$161,619
Tipboards	<u>\$56,182</u>	<u>\$28,408</u>	<u>\$27,774</u>
Tax-Exempt Totals	\$47,837,338	\$19,251,956	\$28,585,382

<u>Prizes</u>	<u>*Donated prizes are not included in the amount reported as expenses.</u>
\$22,825,944	
\$773,595	
\$572,431	
\$85,249	
<u>\$32,585</u>	
\$24,289,804	

Type of Group	# of Exempt Permits Issued	% of Total Exempt Permits Issued	Total Exempt Gross Receipts
Religious	729	21.09%	\$11,459,368
Outdoor Recreation	576	16.67%	\$9,981,867
Youth Activities	224	6.48%	\$3,846,468
Fraternal	161	4.66%	\$1,564,844
Health-Related	130	3.76%	\$1,195,599
Veterans	73	2.11%	\$523,280
Civic Groups/Other Nonprofit	1,563	45.23%	\$19,265,912
Totals	3,456	100.00%	\$47,837,338

Gross Sales at Sites with Electronic Pull-Tabs



FY 2019 Top Ten Lawful Gambling Statistics

FY 2019 Top Ten Organizations by Gross Sales, All Lawful Gambling Activity

<u>Organization</u>	<u>Gross</u>	<u>Prizes</u>	<u>Net</u>
Merrick, Inc., Vadnais Hts.	\$31,503,841	\$26,591,378	\$4,912,464
White Bear Lake Area Hockey Association	\$25,656,656	\$21,765,384	\$3,891,273
Northwest Area Jaycees, Maple Grove	\$23,000,546	\$20,113,663	\$2,886,884
Centennial Youth Hockey Association, Circle Pines	\$20,800,175	\$18,411,425	\$2,388,750
Spring Lake Park Lions Club	\$19,271,356	\$16,396,113	\$2,875,243
Amvets Post 1, Mendota	\$18,957,684	\$16,376,786	\$2,580,898
St. Cloud Youth Hockey Association	\$18,367,950	\$15,829,683	\$2,538,267
Community Charities of Minnesota, Mankato	\$18,169,646	\$15,482,741	\$2,686,904
Climb, Inc., Inver Grove Hts.	\$18,097,141	\$15,187,926	\$2,909,216
Irving Community Association, Duluth	\$17,743,569	\$15,151,635	\$2,591,935

FY 2019 Top Ten Organizations by LPE*

<u>Organization</u>	<u>LPE \$</u>	<u>Organization</u>	<u>LPE as % of Net Receipts**</u>
Blaine Youth Hockey Association	\$942,096	Lakes Area Senior Activity Center, Brainerd	89.3%
Community Charities of Minnesota, Mankato	\$598,415	New Market-Elko-Webster Lions Club	85.7%
Midway Speedskating Club, Inc., Shoreview	\$585,929	Knights of Columbus Council 1575, Fairmont	82.3%
Ramsey Lions Club, Anoka	\$572,543	Ducks Unlimited Frozen North Ch. 271	78.1%
Blaine's Blazin' 4th, Inc., d/b/a Blaine Festival	\$545,935	Heritage Community Center, Thief River Falls	72.7%
Confidence Learning Center, East Gull Lake	\$530,759	Lucan Lions Club	72.6%
Burnsville Lions Club	\$511,425	Moose Lodge 963, Maplewood	72.6%
Rogers Youth Hockey Association	\$508,461	SS. Peter & Paul Church, Richmond	72.1%
Merrick, Inc., Vadnais Hts.	\$508,314	VFW Post 7051, West Metro	72.0%
White Bear Lake Area Hockey Association	\$498,854	Rogers Lions Club	71.4%

* Excludes taxes and license and regulatory fees.

** Excludes taxes, license and regulatory fees, and retained cash from previous years.

FY 2019 Top Ten Organizations, Lawful Purpose Expenditures vs. Allowable Expenses

<u>Organization*</u>	<u>Allowable Expenses (AE)</u>	<u>Lawful Purpose Expenditures (LPE)</u>	<u>LPE Dollars per AE Dollars</u>
New Market-Elko-Webster Lions Club	\$1,331	\$24,389	\$18.32
Knights of Columbus Council 1575, Fairmont	\$6,610	\$55,990	\$8.47
Ducks Unlimited Frozen North Chapter 271, Deerwood	\$25,931	\$123,673	\$4.77
Rogers Lions Club	\$5,635	\$23,095	\$4.10
SS. Peter & Paul Church, Richmond	\$4,002	\$14,300	\$3.57
American Legion Post 642, Bowlus	\$4,255	\$10,054	\$2.36
American Legion Post 118, Wayzata	\$26,682	\$62,520	\$2.34
American Legion Post 391, Storden	\$14,272	\$29,939	\$2.10
Chatfield Athletics Club	\$12,770	\$26,059	\$2.04
Northwest Angle Edge Riders, Angle Inlet	\$10,083	\$20,000	\$1.98

* Organizations with gross receipts of \$50,000 or more.

Local Unit of Government Lawful Gambling Regulatory Tax (Up to 3%)

Minnesota Statutes, Section 349.213, subdivision 3, allows local units of government to impose an up to 3% of gross receipts lawful gambling regulatory tax on licensed lawful gambling organizations within the city's or county's jurisdiction. A city or county may only impose this lawful gambling tax on licensed organizations if it incurred costs to regulate lawful gambling in that calendar year. A city or county may not use money collected for any purpose other than to regulate lawful gambling, which includes site inspections, compliance reviews, corrective action, and trade area monitoring. Cities or counties must report to the Board annually by March 15 showing the costs incurred and corresponding tax collected during the calendar year, the use of the proceeds of the tax, and refunds of overages collected. If a city or county spends more than the amount collected in a calendar year, the negative balance does not carry forward. If a city or county does not incur lawful gambling costs, cities should refund the contributing charities.

- In calendar year 2018, 27 cities reported collecting \$1,030,592.28 in lawful gambling tax dollars from licensed organizations.
- A total of \$446,200.45 was refunded to licensed organizations in calendar year 2018.
- Ten of the 27 cities imposing a 3% tax have indicated they have rescinded or are rescinding the 3% regulatory tax.
- A city may only impose this lawful gambling tax on licensed lawful gambling organizations if it incurred costs to regulate lawful gambling in that calendar year.

City	%	CY17 Balance	Interest	Collected	Spent	Refunded	CY18 Balance
Andover	0.10	\$0.00	\$0.00	\$2,422.89	\$2,422.89	\$0.00	\$0.00
Austin	0.50	\$783.94	\$0.00	\$5,589.09	\$6,520.32	\$0.00	\$0.00
Bloomington*	0.25	\$59,110.97	\$0.00	\$11,681.26	\$1,571.32	\$69,239.98	\$0.00
Bock*	3.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Duluth	1.00	\$59,611.13	\$0.00	\$22,195.56	\$32,166.00	\$0.00	\$49,640.69
East Bethel	3.00	\$0.00	\$0.00	\$42,651.72	\$42,651.72	\$0.00	\$0.00
Eden Prairie*	1.00	\$21,814.17	\$0.00	\$0.00	\$0.00	\$21,814.17	\$0.00
Fridley	3.00	\$0.00	\$0.00	\$67,232.97	\$67,973.40	\$0.00	\$0.00
Jackson	1.00	\$0.00	\$0.00	\$740.03	\$0.00	\$740.03	\$0.00
Lilydale*	3.00	\$7,525.23	\$0.00	\$713.70	\$0.00	\$8,238.93	\$0.00
Lino Lakes*	0.10	\$1,181.50	\$0.00	\$0.00	\$0.00	\$1,181.50	\$0.00
Madison Lake	3.00	\$1,096.07	\$0.00	\$1,489.82	\$340.00	\$2,245.89	\$0.00
Mankato	3.00	\$321,631.13	\$1,608.16	\$106,775.64	\$383,211.54	\$0.00	\$46,803.39
Maple Grove	0.50	\$38,239.35	\$0.00	\$15,161.00	\$9,328.99	\$35,000.00	\$9,071.36
Mendota*	2.00	\$8,356.45	\$0.00	\$10,453.45	\$0.00	\$18,809.90	\$0.00
Minneapolis	3.00	\$224,290.44	\$0.00	\$255,846.38	\$251,437.43	\$223,745.69	\$4,953.70
North Mankato	3.00	\$0.00	\$0.00	\$44,881.45	\$44,881.45	\$0.00	\$0.00
Owatonna*	3.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Plymouth*	3.00	\$0.00	\$0.00	\$0.00	\$0.00	\$13,806.51	\$0.00
Roseville	1.00	\$154,455.62	\$574.56	\$38,017.91	\$124,303.66	\$0.00	\$71,844.07
Shoreview*	3.00	\$0.00	\$0.00	\$3,007.47	\$0.00	\$3,007.47	\$0.00
Spring Lake Park	3.00	\$0.00	\$0.00	\$49,970.59	\$34,033.00	\$15,937.59	\$0.00
St. Louis Park*	3.00	\$0.00	\$0.00	\$0.00	\$0.00	\$12,235.61	\$0.00
St. Paul	2.50	\$351,246.93	\$0.00	\$270,112.00	\$390,856.00**	\$0.00	\$230,502.93
Waterville	3.00	\$0.00	\$0.00	\$14,178.50	\$2,467.87	\$11,710.63	\$0.00
White Bear Lake	2.00	\$50,940.00	\$0.00	\$64,943.72	\$6,258.10	\$0.00	\$109,625.62
Worthington	1.00	\$3,123.58	\$0.00	\$2,527.13	\$1,006.90	\$3,123.58	\$1,520.23
Totals		\$1,303,406.51	\$2,182.72	\$1,030,592.28	\$1,401,430.59	\$446,200.45	\$523,961.99***

* Cities that have rescinded or are rescinding the 3% regulatory tax.

** Transferred lawful gambling regulatory tax funds directly to the city's general fund.

*** Does not reflect refunds issued after 1/1/19. The CY18 balance does not equal the CY17 balance plus amount collected minus amount spent/refunded. When a city or county spends more than its previous CY balance plus amount collected in a calendar year, the negative balance is not carried forward to the next calendar year.

Voluntary Contributions

Separate from the 3% lawful gambling regulatory tax and the required 10% lawful gambling contribution, Minnesota Statutes, Section 349.12, subdivision 25, paragraph (a), clause (10), allows a licensed organization to make a voluntary contribution to units of government (under lawful purpose code A10) for government programs and projects of the United States, the state of Minnesota, or local units of government.

In FY 2019, approximately \$10,840,000 was voluntarily contributed by licensed lawful gambling organizations to units of government for contributions allowed under code A10. Cities and counties are not required to report the receipt of the voluntary contributions to the Board. For charitable contributions *required* by local units of government, see page 10.

Local Unit of Government 10% Lawful Gambling Contribution Fund

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 city or county may only spend the funds for charitable contributions allowed under Minn. Stat. 349.12, subd. 7a, or for police, fire, and other emergency or public safety-related services, equipment, and training. The funds are subject to Chapter 349 and, other than for police and fire services, the city or county may not keep control over the funds once transferred to an eligible 501(c)(3) organization.
- The fund may not be used for the payment of pension obligations or other general government functions.
- Use of the funds by a city or county are subject to audit.
- A licensed organization that contributes to the 10% fund may not be a beneficiary of the fund.
- If a city or county spends more than its previous calendar year balance plus the amount collected in a calendar year, the negative balance is not carried forward.
- A city or county with a 10% fund is required to file an accountability report with the Gambling Control Board by March 15 each year.
 - In calendar year 2018, 124 cities had balances or reported collecting lawful gambling contributions up to 10% as mandated by ordinance.
 - A total of **\$1,613,504.72** was contributed to cities in calendar year 2018 under the required contribution provision in statute.
 - Reporting cities showed an unspent balance of **\$2,665,961.63** in lawful gambling funds as of December 31, 2018.

City	%	CY17 Balance	Interest	Collected	Spent	CY18 Balance
Afton	10%	\$495.80	\$0.00	\$250.37	\$0.00	\$746.17
Alexandria	10%	\$0.00	\$0.00	\$63,514.79	\$63,514.79	\$0.00
Andover	10%	\$74,477.23	\$1,049.86	\$79,295.46	\$75,037.00	\$79,785.55
Annandale	10%	\$11,462.28		CY18 report not received		\$11,462.28
Arden Hills	10%	\$0.00	\$0.00	\$38,870.02	\$38,869.78	\$0.24
Aurora	10%	\$9,064.33	\$0.00	\$9,640.31	\$5,976.50	\$12,728.14
Barnum	10%	\$2,484.26	\$0.00	\$2,607.71	\$950.00	\$4,141.97
Battle Lake	10%	\$0.00	\$0.00	\$1,037.81	\$1,037.81	\$0.00
Bayport	0%	\$110,470.71	\$0.00	\$22,637.95	\$5,393.05	\$127,715.61
Belle Plaine	10%	\$11,163.48	\$0.00	\$17,914.84	\$813.00	\$28,265.32
Bigelow	10%	\$6,333.17	\$2.20	\$1,901.08	\$0.00	\$8,236.45
Bigfork	10%	\$29,071.02	\$0.00	\$5,995.58	\$590.79	\$34,475.81
Blaine	10%	\$98,749.90	\$280.00	\$150,035.93	\$152,750.00	\$96,045.84
Bovey	10%	\$0.00	\$0.00	\$1,498.22	\$1,192.91	\$305.31
Bricelyn	10%	\$1,690.61	\$0.00	\$252.50	\$0.00	\$1,943.11
Brownsville	10%	\$685.05		CY18 report not received		\$685.05
Byron	10%	\$2,755.68	\$116.16	\$16,207.52	\$7,500.00	\$11,579.36
Carlton	10%	\$31,646.15	\$84.35	\$13,583.70	\$14,728.77	\$30,585.43
Chanhausen	10%	\$41,472.36	\$514.08	\$44,952.02	\$56,134.05	\$30,804.41
Chisago City	10%	\$11,008.89	\$89.14	\$15,557.16	\$9,587.96	\$17,067.23
Cloquet	10%	\$0.00	\$0.00	\$10,633.45	\$10,633.45	\$0.00
Cold Spring	10%	\$84,822.57	\$786.37	\$14,186.69	\$6,300.00	\$93,495.63
Columbus	10%	\$19,737.74	\$76.79	\$14,713.06	\$13,000.00	\$21,529.59
Coon Rapids	5%	\$33,102.99	\$814.56	\$69,172.21	\$71,369.89	\$31,719.87
Corcoran	10%	\$48,476.19		CY18 report not received		\$48,476.19
Cottage Grove	0%	\$0.00		CY18 report not received		\$0.00
Cromwell	10%	\$182.04		CY18 report not received		\$182.04
Crystal	10%	\$0.00	\$0.00	\$41,394.39	\$41,394.39	\$0.00
Darwin	10%	\$0.00		CY18 report not received		\$0.00
Delavan	10%	\$13,560.76	\$0.00	\$3,378.08	\$3,938.57	\$13,000.27
Dennison	10%	\$0.00	\$0.00	\$2,300.72	\$2,300.72	\$0.00
Duluth	5%	\$50,076.00	\$0.00	\$11,486.00	\$0.00	\$61,562.00
Dundas	10%	\$0.00	\$0.00	\$7,945.34	\$0.00	\$7,945.34
Effie	10%	\$3,776.28		CY18 report not received		\$3,776.28
Elgin	10%	\$14,515.28	\$0.00	\$962.86	\$0.00	\$15,478.14
Elko/New Market	5%	\$21,845.40	\$108.50	\$10,011.13	\$0.00	\$31,965.03
Evansville	10%	\$0.00	\$0.00	\$3,542.98	\$3,542.98	\$0.00
Eveleth	10%	\$42,867.54	\$0.00	\$8,595.21	\$3,200.00	\$48,262.75
Eyota	10%	\$15,681.65	\$138.71	\$10,842.88	\$2,283.30	\$24,379.94
Faribault	5%	\$58,425.83		CY18 report not received		\$58,425.83
Floodwood	10%	\$1,028.88	\$0.00	\$3,616.10	\$1,759.38	\$2,885.60
Garfield	10%	\$0.00		CY18 report not received		\$0.00
Gem Lake	10%	\$8,706.13	\$0.00	\$4,811.49	\$10,900.00	\$2,617.62
Ghent	10%	\$0.00	\$0.00	\$3,288.40	\$3,288.40	\$0.00
Golden Valley	10%	\$0.00	\$3,321.71	\$41,551.29	\$44,873.00	\$0.00
Gully	10%	\$5,016.11	\$17.53	\$1,722.19	\$0.00	\$6,755.83
Ham Lake	10%	\$26,459.45	\$133.91	\$35,389.28	\$25,000.00	\$36,982.64
Hampton	10%	\$0.00	\$0.00	\$1,269.92	\$1,269.92	\$0.00
Hanover	10%	\$0.00	\$44.19	\$9,698.00	\$0.00	\$9,742.19
Hanska	10%	\$15,588.92	\$0.00	\$4,546.45	\$4,718.98	\$15,416.39
Hawley	10%	\$6,487.40	\$0.80	\$0.00	\$6,488.20	\$0.00
Hewitt	10%	\$1,083.85		CY18 report not received		\$1,083.85
Hokah	10%	\$8,673.24		CY18 report not received		\$8,673.24
Hollandale	10%	\$0.00	\$0.00	\$489.48	\$489.48	\$0.00
Independence	10%	\$0.00		CY18 report not received		\$0.00

City	%	CY17 Balance	Interest	Collected	Spent	CY18 Balance
Kasota	10%	\$13,597.00	\$0.00	\$4,833.00	\$0.00	\$18,430.00
Kerkhoven	10%	\$887.68	\$3.26	\$0.00	\$0.00	\$890.94
Kettle River	10%	\$2,018.46	\$0.00	\$2,132.46	\$820.92	\$3,330.00
Kilkenny	10%	\$734.00		CY18 report not received		\$734.00
Lake St. Croix Beach	10%	\$6,027.28	\$116.94	\$2,896.55	\$3,000.00	\$6,040.77
Lakeland	10%	\$15,720.13	\$0.00	\$10,151.51	\$5,200.00	\$20,671.64
Lakeland Shores	10%	\$955.21	\$17.37	\$163.41	\$0.00	\$1,135.99
LaPrairie	10%	\$0.00		CY18 report not received		\$0.00
Lexington	10%	\$92,058.24	\$0.00	\$17,910.55	\$92,618.08	\$17,350.71
Lilydale	3%	\$0.00	\$0.00	\$713.70	\$0.00	\$713.70
Little Canada	10%	\$134,729.40	\$1,856.00	\$46,137.89	\$119,599.25	\$63,124.05
Littlefork	10%	\$0.00	\$0.00	\$189.17	\$189.17	\$0.00
Long Beach	10%	\$10,970.60	\$0.00	\$9,559.13	\$0.00	\$20,529.73
Long Lake	10%	\$7,971.00		CY18 report not received		\$7,971.00
Madison Lake	10%	\$3,653.54	\$4.48	\$5,321.72	\$725.00	\$8,254.74
Mahtomedi	10%	\$39,717.18	\$482.96	\$11,468.58	\$51,668.72	\$0.00
Maple Grove	10%	\$382,431.08	\$7,161.98	\$96,275.00	\$71,559.16	\$414,308.90
Mapleview	10%	\$25,478.89		CY18 report not received		\$25,478.89
Maplewood	10%	\$19,897.70	\$0.00	\$25,246.14	\$24,473.60	\$20,670.24
Mayer	10%	\$0.00	\$0.00	\$7,645.00	\$7,645.00	\$0.00
Mendota	10%	\$0.00		CY18 report not received		\$0.00
Milaca	10%	\$28,178.00	\$715.00	\$31,077.00	\$21,586.00	\$38,384.00
Millville	10%	\$19,052.16	\$0.00	\$5,497.73	\$3,611.51	\$20,938.38
Minneapolis	10%	\$99,965.75	\$0.00	\$69,368.27	\$41,946.69	\$127,387.33
Motley	10%	\$31,198.85	\$0.00	\$4,333.67	\$5,439.72	\$30,092.80
Mountain Iron	10%	\$5,818.61	\$0.00	\$2,032.49	\$6,712.50	\$1,138.60
Myrtle	10%	\$10,700.17		CY18 report not received		\$10,700.17
New Hope	10%	\$0.00	\$0.00	\$12,435.13	\$12,435.13	\$0.00
Newport	10%	\$2,504.97	\$0.00	\$3,789.48	\$5,033.67	\$1,018.04
North Mankato	10%	\$12,676.50	\$0.00	\$35,086.72	\$21,810.00	\$25,953.22
Oak Grove	10%	\$22,809.75	\$313.54	\$10,119.67	\$0.00	\$33,242.96
Oakdale	10%	\$55,741.73		CY18 report not received		\$55,741.73
Otsego	10%	\$0.00		CY18 report not received		\$0.00
Pemberton	10%	\$0.00	\$0.00	\$3,707.11	\$1,959.07	\$1,748.04
Plymouth	10%	\$0.00		CY18 report not received		\$0.00
Proctor	10%	\$12,457.46	\$0.00	\$1,309.75	\$0.00	\$13,767.21
Ramsey	5%	\$185,086.50	\$3,584.94	\$81,925.70	\$25,163.00	\$245,434.14
Randolph	10%	\$0.00		CY18 report not received		\$0.00
Rockford	10%	\$10,400.00	\$15.00	\$25,185.00	\$17,000.00	\$18,600.00
Rose Creek	10%	\$12,338.45		CY18 report not received		\$12,338.45
Roseville	10%	\$42,788.32	\$579.59	\$123,539.04	\$157,000.00	\$9,906.95
Scanlon	10%	\$12,978.88	\$23.56	\$7,105.62	\$8,739.26	\$11,368.80
Sedan	10%	\$1,678.76		CY18 report not received		\$1,678.76
Shafer	5%	\$0.00	\$110.57	\$4,422.82	\$0.00	\$4,533.39
Sherburn	10%	\$1,771.59	\$0.00	\$1,907.18	\$3,100.00	\$578.77
Shoreview	10%	\$0.00		CY18 report not received		\$0.00
Slayton	10%	\$0.00		CY18 report not received		\$0.00
Spicer	10%	\$36,448.19	\$0.00	\$0.00	\$0.00	\$36,448.19
Spring Valley	10%	\$21,192.72	\$65.20	\$7,335.29	\$18,973.49	\$9,619.72
St. Francis	10%	\$59,042.58	\$1,131.24	\$20,838.18	\$0.00	\$81,012.00
St. Louis Park	10%	\$1,408.95		CY18 report not received		\$1,408.95
St. Martin	10%	\$641.03	\$0.00	\$787.17	\$841.64	\$586.56
St. Paul	10%	\$13,231.65		CY18 report not received		\$13,231.65
Stockton	10%	\$0.00	\$0.00	\$2,250.00	\$2,250.00	\$0.00
Taylor's Falls	10%	\$1,234.11		CY18 report not received		\$1,234.11
Tower	10%	\$0.00	\$0.00	\$2,344.48	\$2,344.48	\$0.00
Utica	10%	\$0.00	\$0.00	\$2,763.00	\$2,763.00	\$0.00
Vadnais Heights	10%	\$62,990.22		CY18 report not received		\$62,990.22
Vergas	10%	\$3,242.44		CY18 report not received		\$3,242.44
Victoria	10%	\$78,892.06	\$1,041.53	\$9,868.77	\$0.00	\$89,802.36
Wahkon	10%	\$10,366.97	\$0.00	\$8,302.52	\$5,829.68	\$12,839.81
Waite Park	10%	\$80,360.15	\$88.72	\$57,817.05	\$65,558.89	\$72,707.03
Waterville	10%	\$0.00	\$0.00	\$3,239.14	\$3,239.14	\$0.00
Waverly	10%	\$0.00		CY18 report not received		\$0.00
Wilton	10%	\$0.00	\$0.00	\$1,484.45	\$1,484.45	\$0.00
Winnebago	10%	\$1,050.34	\$0.00	\$4,672.51	\$2,800.00	\$2,922.85
Winsted	5%	\$0.00	\$0.00	\$5,000.00	\$5,000.00	\$0.00
Wrenshall	10%	\$6,109.78	\$2.58	\$660.62	\$0.00	\$6,772.98
Wyoming	10%	\$43,286.23	\$0.00	\$21,354.78	\$899.22	\$63,741.79
Totals		\$2,667,636.43	\$24,893.32	\$1,613,504.72	\$1,516,820.55	\$2,665,961.63

The Board's Mission

The Minnesota Gambling Control Board performs many tasks to accomplish the Board's mission of regulating the lawful gambling industry to ensure the integrity of operations and provide for the lawful use of net profits. This includes an in-depth license application process and continues with regulation, education, and guidance to lawful gambling organizations. As a regulatory agency, the Board's role is to ensure that the licensed organizations control their operations. Staff conducts compliance audits of lawful gambling organizations' operations, performs inspections of lawful gambling sites, and investigates alleged misconduct, theft, and fraud. Staff examines and makes recommendations on requests for expenditures of lawful gambling funds, and tests each game that is available for play in Minnesota.

Audits, Inspections, and Investigations

Regulation and guidance is provided by the Board to licensed organizations through compliance audits, inspections, and investigations.

Board staff conducts compliance audits of licensed organizations' lawful gambling operations. Organizations are notified of areas that are working well and areas that may require correction. Site inspections are routinely performed to determine if gambling is conducted in compliance with gambling statutes and rules.

Board staff also conducts investigations into allegations of misconduct, theft, and fraud.

Education

Educating the lawful gambling industry is an important part of the Board's mission. To ensure the integrity of the industry, education is provided to organizations through the following opportunities:

Continuing Education. Gambling managers are required to take one continuing education course each calendar year. Traditional in-person classes are conducted at various locations throughout the state free of charge and are open to the public. Online continuing education courses are also offered (www.mn.gov/gcb, Education tab). All are free of charge.

In addition to gambling managers, organizations' chief executive officers, members, and employees are welcome to take advantage of the continuing education opportunities.

During fiscal year 2019, there were 30 in-person continuing education classes provided, 17 of which were classes at industry conventions, such as Lions, VFWs, and CPAs. Topics included internal controls, lawful expenditures, illegal gambling, reporting requirements, electronic filing, conduct of lawful gambling (all forms), electronic games, sports tipboards, and others. Three continuing education courses are available online.

Gambling Manager Seminars. Gambling manager seminars are conducted each month by Board staff. Each seminar consists of two days of training and includes information on statutes, rules, the conduct of lawful gambling, internal controls, reporting and licensing requirements, and organization responsibilities.

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

Publications and Guides

The Board provides several publications and guides for lawful gambling organizations:

Gaming News. The Board's quarterly newsletter, *Gaming News*, provides information on compliance, licensing, and education issues. The newsletter is emailed to licensed organizations' gambling managers and CEOs.

Gaming News also includes information on legislative and rule changes, scheduled continuing education classes, forms, and Board activities. The Minnesota Department of Revenue and Minnesota Department of Public Safety and the U.S. Internal Revenue Service periodically contribute articles for the newsletter.

Gaming News can be found on the Board's website under Publications. Paid subscriptions are available through Minnesota's Bookstore, 651-297-3000 or 800-657-3757.

Lawful Gambling Manual. The *Lawful Gambling Manual* is a reference guide for CEOs, gambling managers, and organizations—whether new or experienced. The Manual provides information on statute and rule requirements. The Manual is divided into chapters that are easily referenced for:

- licensing requirements;
- conducting each form of lawful gambling: paper and electronic pull-tabs, paper and electronic bingo, raffles, paddlewheels, and tipboards;
- 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
- cross-reference indexing.

The Manual may be purchased from Minnesota's Bookstore and is found on the Board's website (www.mn.gov/gcb) under Publications.

Gambling Control Board Members

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 of the remaining two members.

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 insure integrity of operations, and to provide for the use of net profits only for lawful purposes.”

<u>Member</u>	<u>Appointed by</u>	<u>Term</u>
William Goede, Chair, Plainview	Governor	6/16 to 6/20
Geno Fragnito, Vice Chair, Woodbury	Governor	7/18 to 6/22
Kenneth Koch, Eagan, Secretary	Governor	7/17 to 6/21
William Gillespie, St. Paul	Attorney General	9/15 to 6/19*
Norman Pint, New Prague	Public Safety	7/15 to 6/19**
James Nardone, Grand Rapids	Governor	8/16 to 6/20
Beth Pinkney, Woodbury	Governor	7/18 to 6/22

* June 30, 2019—last day served on Board.

** June 30, 2019—extended for another four-year term.

Statutes and Rules

- Statute changes** Legislative changes affecting lawful gambling during the 2019 legislative session:
- The provision that a person has to be a member of an organization for “at least six months” was changed to “the most recent 90 days” to conform with the membership requirements for gambling managers.
 - Accounting for bingo gift certificates is now required. Bingo gift certificates are required to be only sold for face value (are not discounted) to remove the potential of receiving cash for face value but marking a discounted price in the accounting records.
 - Clarified that a lessor’s immediate family may not play electronic linked bingo games.
 - All electronic game deposits must be made at the \$2,000 mark and within four business days of the first day of each month to minimize the risk of too much cash at the site.

Previous years’ summaries can be found at mn.gov/gcb under Reports & Legislation.

- Rule highlights** Sports tipboards have been allowed in statute since 2012. However, because federal law prohibited wagering on the outcome of sporting events, the Minnesota Gambling Control Board held off on approving any sports tipboard games. The U.S. Supreme Court recently decided in favor of states to legalize sports betting and, upon receipt of the Supreme Court decision, the Board released the hold on sports tipboards.
- The following are some of the rule changes implemented during summer 2019:
- Conduct and standards were put in place for tax-exempt sports tipboards, based on games between two teams that are members of the NFL, NBA, WNBA, NHL, MLS, or MLB.
 - For lawful gambling electronic games, a “handheld, portable device” was defined as being battery powered with no cable connection to a power source. The device may not allow the use of tickets, tokens, coins, currency, or other cash equivalent to activate play.
 - Electronic game animation may not display spinning reels or contain non-straight win lines.
 - Organization employees or volunteers may not share or allow others to use the employee's or volunteer's password or unique identifying code.
 - Organizations are required to deposit whatever amount is in the electronic game cash drawer less the starting cash bank amount after the close of business on the last day of the month. This deposit must be made within four business days of the first of the month.

There were other rule amendments, but the main focus was to strengthen the authorized regulatory oversight as it pertains to electronic games and sports tipboards. These and other measures contained in the new rules ensure the continued integrity of lawful gambling in Minnesota.

Minnesota Gambling Control Board

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This publication will be made available in alternative format (large print, braille) upon request.

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